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Office of the Provincial Auditor

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OFFICE OF THE PROVINCIAL AUDITOR

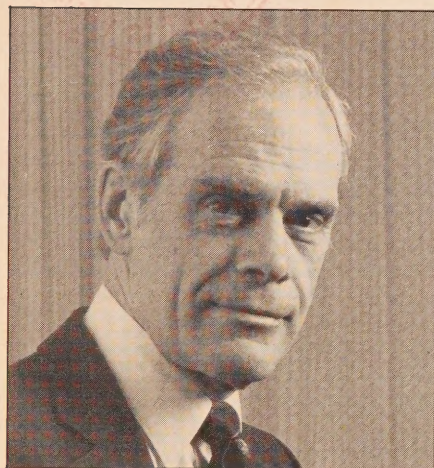
F O L I O

Winter 1986

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MERRY CHRISTMAS



Provincial Auditor
Doug Archer

The recent tabling of our annual Auditor's Report was the final chapter in another audit year. This publication distills twelve months of dedicated audit work, to which all staff members contributed and for which each and every one of you is to be highly commended. You should all feel proud of the results that have been produced.

I was asked on a radio interview, "Now that you have tabled this year's Report, when will you start next year's?" I explained that we were effectively hard at work on our next Report already. In fact, as Folio goes to press, we are about three months along the way. Auditing, particularly in a government environment, is a non-stop business.

Nevertheless, let us all pause long

enough to enjoy and appreciate the significance of the approaching festive season. And let me take this opportunity to wish each of you a Merry Christmas and a Happy New Year.

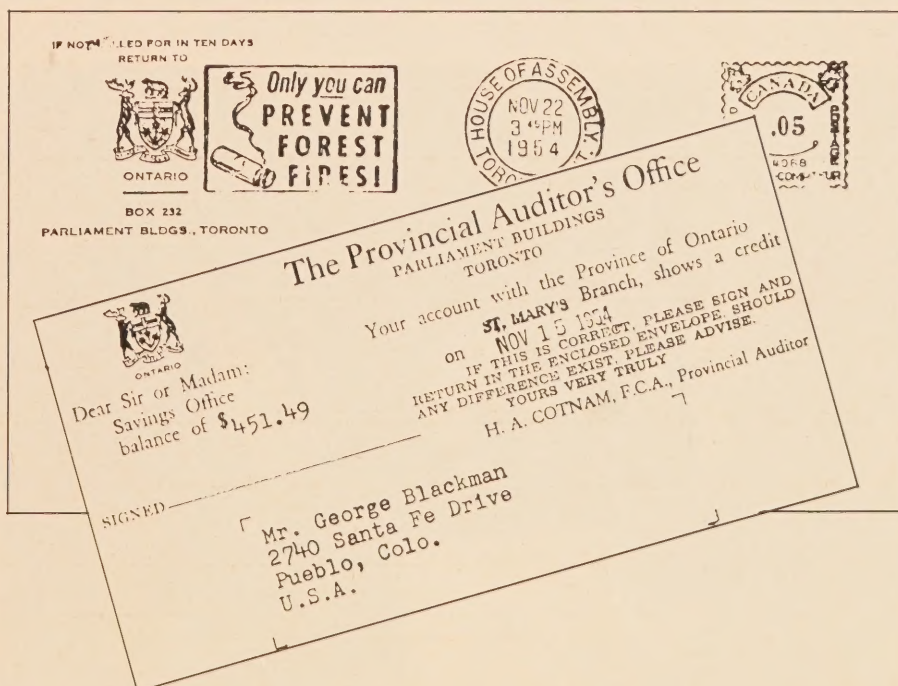
Congratulations to all staff members who have made the 1986 United Way Campaign a tremendous success. The Office was asked to raise \$5,100. Through your generosity our goal was exceeded by \$1,570 for a total contribution of \$6,670. Although 88 per cent of the staff contributed this year to this very worthwhile project, it is hoped that this percentage can be increased in 1987.

A special tip of the hat goes to the Auditor Trainees, almost all students shared with the less fortunate of our city.

A Bit of History

Would you ever think that a confirmation letter originating in the Provincial Auditor's Office in 1954 would find its way back in 1986? After so many years, the request, by the son and executor of his mother's will, was for the Provincial Auditor to confirm a current account balance by providing evidence to indicate whether the money shown on the Auditor's statement was ever withdrawn from the savings account by his parents so it could be either counted in or removed from the estate.

Who says auditors don't get results? Why even 32 years later, the Provincial Auditor's past audit activity is aiding the public!



Communications Update

by Ilze Petersons Taylor

The tabling of the Provincial Auditor's Annual Report reminds me of Christmas: a whole year's worth of effort and energy squeezed into one day. And a successful day it was too! A good number of reporters and M.P.P.s attended the lock-ups, the press conference was lively as were the questions on the Annual Report during the Question Period.

This year's press and media coverage was quite extensive. Twelve radio stations (including CHUM of all things) and six television networks in the Toronto area discussed aspects of the Report on the day it was tabled.

Follow-ups on our findings were con-

tinued the next day on four radio stations and three television networks. For example, Doug Archer was interviewed by Joe Cote on CBC's Metro Morning, and Monte Kwinter appeared as a guest on CBC's Radio Noon to comment on the LCBO case of "the missing booze." That same evening, Doug Archer was again interviewed by a group of journalists on Dateline Ontario (Dateline was aired in Toronto on Sunday, November 29 at 11:30 p.m.).

Our Report continued to receive media coverage even on the third day after the tabling. CKEY Radio, for one, ran an item reporting that Remo Mancini, M.P.P., wants the Provincial Audi-

tor to investigate the matter of the missing items from ministers' offices.

As Doug Archer has noted in his introductory comments, all members of staff deserve commendation for their part in the preparation and production of the Report.

There's one more item that's the icing on the cake. On November 26, the Premier issued a memo to all ministers. In it, he stressed the importance of the role of the Provincial Auditor and his staff in the government accountability process. Further, the Premier adjured his ministers to personally see that the inadequacies noted in our Report are acted upon.



Provincial Auditor Doug Archer congratulates John Mauti on receiving an Incentive Scholarship from Wilfrid Laurier University. This scholarship made John \$900 richer and is based solely on outstanding academic achievement. Paula Delogue, a co-ordinator with Wilfrid Laurier University and Mike Teixeira, Director of the Social Policy Branch, in which John works, share with John this happy event. All staff members congratulate John on receiving the scholarship. We hear this is the third such award with which John has been honoured.



Provincial Auditor Doug Archer and Mike Teixeira, Director of the Social Policy Branch, in which Iva works, congratulate Iva Gianvito on receiving the Society of Management Accountants of Ontario Student of Merit Award in Management Accounting. The \$500 cash award is presented in recognition of outstanding academic performance in Management Accounting. In addition, Iva received an Award of Merit from the Ryerson Polytechnical Institute which provides the full cost of the first CMA program subject in which she wishes to enroll.

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Press and Broadcast News representatives ensured that numerous newspapers and radio stations in Ontario covered the tabling of the Report as well.

It is this type of exposure that allows our employer, the Ontario citizens, to be informed of the results of our investigations made throughout the year.

...files unprotected

...thieves unveiled

PROVINCE MISSING AUDITORS: AUDITOR

...for 'shoddy' spending

Hea syst ail

Ontario budget managed v

Shoppers multiply and add up

Tax data unprotected, audi

\$4 million in missing property in auditor's checklist of goofs

Files insecure, auditor says

FOUR A YEAR Auditor wants more reports

Confli left u

We were delighted to see our Report receive front page coverage in The Toronto Sun, The Toronto Star and The Globe & Mail. Attendance by Canadian



Wines for Christmas

kabinett wines, and Forster Freundstuck Riesling Spatlese 1975 v. Buhl (\$17) has lots of extract and is not sweet as spatlesen go. Both would go with food. Kreuznacher Bruckes Riesling Auslese 1976 Finkenauer (\$20) is quite fat and rich but with adequate acidity and a long honeyed finish; just the thing on its own after dinner.

Several other dessert wines include a delicious Malaga 'Scholtz Solera 1885' (\$10), and Soliento 1971 'Croce d'Oro, Ruffino' (\$9). The latter has over the years acquired caramel overtones to the muscat grape from which it is made. The corks are loose and even a Screwpull might not do the trick; one solution is to push the cork into the bottle. There is a dearth of affordable, drinkable port, but the Graham Late Bottled Vintage 1979 (\$12) is soft enough to be enjoyed now. It should not be confused with a vintage port.

The dry whites range from Muscadet Clos les Hautes Bretonnieres 1984 Hallereau (\$11), crisp and slightly petillant, to Gewurztraminer Cuvee Tradition 1983 Kuentz-Bas (\$12), fresh and not overly perfumed. Fume Blanc 1984 Woodridge (\$9), might be compared with Chateau Le Merle 1985 Graves (\$10) which is on the regular list. 'Ochavico' Oloroso, Garvey (\$8) is a very good full flavoured dry sherry as is drunk in Spain, quite unlike the sweet

sherries one usually comes across. I enjoy it in place of a white wine, not only with soup, and in my opinion it accompanies Chinese food particularly well.

Bourgogne d'Auvenay 1978 Leroy (\$15) is good example of mature burgundy and not at all presumptuous of its appellation. Chateau Fougas 1983 Bourg (10) is still rather young but quite approachable; fruity but not too firm. Both these wines are on the regular list.

Other reds include Barbaresco 1980 Pelissero (\$11), a big wine with suggestions of plums and nectarines. If you have yet to encounter a beaujolais which is truly enjoyable try Chiroubles 1985 Duboeuf (\$13), which is full of fruit and very attractive. Finally there is Chateau Musar 1977 Hochar (\$16) from the Lebanon, which seems to combine the characteristics of both Bordeaux and the Rhone. It is a fine wine with a good depth of flavour and some complexity; quite capable of standing up to turkey with a rich stuffing. It may not impress the label drinkers.

I can think of nothing vinous to go with curried goat, if that be on the menu. Why not do as the Germans do (admittedly not with goat) and have water with the meal, preceded by the lighter German wines and finishing with a rich auslese. Beer instead of water would not be a good idea as it would smother the nuances of any wines following it.

The Provincial Auditor Celebrates its 100th Anniversary

On September 12, 260 past and present staff convened at Ontario Place to celebrate the 100th Anniversary of the Office of the Provincial Auditor.

The 7:00 p.m. reception was followed by dinner with Master of Ceremonies, Pat Reid, opening the presentations. Guest Speaker Phil Gillies, vice-chairman of the Public Accounts Committee, provided the audience with humorous

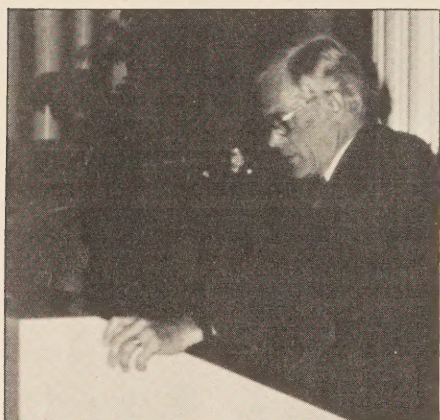
anecdotes as did Doug Archer, Provincial Auditor, who presented the final speech and presented the 100th Anniversary Publication for distribution.

Head table guests included Assistant Provincial Auditor Mr. Jim Otterman and his wife, Mr. Phil Gillies, Mr. and Mrs. Pat Reid, previous Provincial Auditor Mr. Norm Scott and his wife, as well as Mr. and Mrs. Doug Archer.

Very special guests included Mr. Wilbur Starratt who knew the first Provincial Auditor.

The evening ended in dancing and much reminiscing.

It happens only once every 100 years, and the evening was an appropriate acknowledgment of the event.



Masterpiece Car Rally

Fourteen cars started the First Masterpiece Car Rally with 31 eager participants at 12:00 noon on October 25. Little did we know at the time that this would be the last time we would see some of them. Lynn Imonti and her navigator Janet Sitarz sported crash helmets at the start of the rally but soon discarded them when they discovered they could not hear each other.

The rally was filled with many tricks to separate the true, professional rallyists from the Sunday drivers. Many of the tricks cannot be revealed for obvious reasons; however, purposely misspelled instructions and erroneous orientation points ensured that napping participants soon woke up after they discovered they were lost.

Thanks goes to Brian Plewes, one of three assistants to the organizer, John Brans, who provided his home in Goodwood as a checkpoint.

Bad luck was to strike some rallyists, but they persevered to hand in their route cards at the end.

Driver John Mauti with navigators Cindy Griffin and Dennis Endrizzi suffered a case of locked-in car keys, and nearly exploded their rented car when, attempting to save their remaining gas, they stuck a large stone up the exhaust pipe at the advice of amateur mechanic Gary Peall (lucky for all of us, Gary was not driving the race). In a true jesture of sportsmanship, fellow rallyer Dan Hartley and navigator Meredith saved the day by returning them to Brian's house to telephone for a tow truck. As you can imagine, when asked where their car was, they weren't able to answer because they didn't know what road it was on; they just knew how to get there. (by following John's route instructions.)

John Morton and his navigator Sheldon Rybowski experienced a more expensive mishap when John's water pump died. He was able to fix it but not before having his car towed to Canadian Tire, buying the part, and then begging for tools so he could fix it himself in order to complete the rally. Sheldon was heard to mumble something to the effect of bronzing the broken water pump.

Lastly, Paul Amodeo and his wife Laurie were so excited about being in the rally that they skipped breakfast that morning and instead pigged out on junk food and suffered motion sickness. They were forced to abandon the rally after completing one third of it.

However, the majority of participants were able to experience some memorable events such as:

- the Roadside antiques (not antiques)
- counting the "horses" (words not real ones)
- obtaining green dog bones
- Tweedy Bird

- Auditors' Hall of Fame
- Daisy Law (nee Pickering) in the Cemetary
- OPA country club
- heaven train
- nature reliefs under bridges

Assistant Gary Peall was stationed at two checkpoints. Unfortunately not every rallyist saw him; unfortunately, they saw John, stationed at an off route checkpoint.

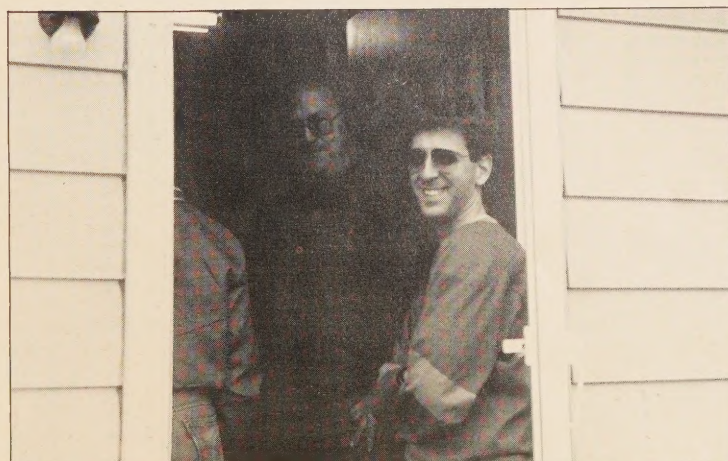
Bruno Barbieri and Walter Bordne were so confident that they did not read

the rules and regulations and subsequently were often seen going in the wrong direction by fellow rallyists Rick MacNeil and his navigator Greg Banko.

Richard Fung and his navigators David Tutt and Linda Beaulieu, while wandering around in the cemetary, came across a family paying their respects to the dearly departed who just so happened to be the same dearly departed as asked for in the route riddle. Richard and his navigators thank the family for their assistance in locating their mother.



PHOTO BY RICHARD FUNG



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In total 13 cars finished, several hours later than John had estimated to complete the rally.

Trophies were awarded to First place rallyists Ron Berman and his navigator Jan Ledson; Second place trophies went to Joe Demma and navigator Amrit Kapoor with special recognition to assistant navigator, previous OPAer, Steve Gatten. Third place trophies went to Mark Ryan and navigator Scott Johns with special recognition to Chris Adams. Assistant Nancy Gale went on a bit of a rally herself because when she went to pick up the trophies the morning of the rally, the store was closed. A store out in Scarborough saved the day, and Nancy learned a little more about subways, buses and Scarborough (the hard way).

Beer mugs went to John Mauti and Cindy Griffin for their good sportsmanship, while Dan Hartley and Dennis Endrizzi received Kegg gift certificates for their support in a bad situation. John Morton and Sheldon Rybowski received digital watches because it took them an unbelievable length of time to complete the rally.

The ideal time for the rally was four hours and 160 km. John and Sheldon arrived some six and one half hours after they departed. Just think guys, you could have been in Lake Placid, upstate New York!

Congratulations goes to John Brans for his dedicated commitment to the rally. He clocked some 1,250 km and took eight days (not to mention staying until 4:00 a.m. in the Office composing the route instructions) preparing the rally to ensure that the instructions were exact and could be followed to the letter, literally.



Halloween Party 1986

Laura Cavazzon organized a Halloween costume party this past November 1, 1986. The party was held at the Richmond Hill Lion's Club, and guests included Pebbles, Harrison Ford, Cher, a ballerina, a Sunkist lemon, a Trout, Sylvester the Cat, a Peacock, talking crayons, a Twinkie, Mad Max, and the ever popular OPA Hangman — all in costume, of course.

The music was interrupted temporarily while Cindy Griffin, Iva Gianvito, John Mauti, Laura Cavazzon and her family served up a delicious buffet of salad, cold cuts and the best pizza ever!

A great deal of effort was put into this event by Laura and her family; Congratulations, it was a great success.

A special thanks, too, to Walter Kent for playing the Papparazzi. How else would we see all these stars!

Canadian Conference on Auditing and Computer Technology

The Canadian Institute of Chartered Accounts (CICA), the E.D.P. Auditors' Association (EDPAA) and the Institute of Internal Auditors (IIA) sponsored The Canadian Conference on Auditing and Computer Technology, the third such conference, held in Toronto from October 6 to October 8, 1986. The conference was designed specifically for auditors to offer practical assistance in dealing with today's technological environment.

The conference covered myriad topics with some 470 participants attending keynote sessions, concurrent sessions and workshops.

Ron Berman, Allan Cheung, Pit Chiu, Rudolfe Chiu, Gerard Fitzmaurice, Roman Garncarz, H. R. Goss, Kelvin Jobity, Jan Ledson and Michael Masliwec attended the conference from our Office; a level of participation reflecting the importance perceived towards this event in our Office.

Staff attended the keynote sessions but had enrolled in different workshops and lectures to glean a broad cross section of information from the conference.

Each staff participant was then asked to assess and evaluate the conference for its value, its problems and to suggest how things might be improved. Time permitted most staff to prepare their assessment in time for this issue of Folio. Rudolfe Chiu, it should be noted, felt the issue of artificial intelligence is an encompassing area, deserving of special attention; and so his article diverges to deal with this issue raised during the conference rather than assessing the conference as a whole.

It is hoped that these evaluations will provide insight for fellow staff to the types of issues being raised, as well as providing some constructive feedback to the Conference organizers.

Pit Chiu

This is the first "technical" computer technology conference I have attended. As a non computer person, I found the conference very informative.

As in any other conference there were more interesting sessions available than one could possibly attend; and there was a vast amount of new buzz words. Perhaps the best way to interface my impressions of this meeting of processors is to simulate the execution of a computer program.

Not only did the conference provide ample opportunities and materials to stimulate further discussion and thoughts, the participants and the conference location was most convenient. However, I am getting ahead of myself.

Start:

Keynote speeches were interesting and they set the tone for the rest of the day. Computer proliferation and technology is moving so fast that the communications revolution is astounding. Computerization in the work place impacts the environment in which we work, the methods of our daily contracts and the way we conduct or will conduct our audits. Some of the technical insight presented leads one to appreciate how we as auditors have to adopt and make use of this fast evolving technology.

Sessions

The sessions I attended were planned around the telecommunications theme. As such, the information flow from one session to the other could not have been better. Information from the first session "Telecommunications: A Primer for Auditors" provided much of the background for the next session on "How to

Audit the Communications Network." The presenters were knowledgeable people. Group participation and discussion was stimulating and controversial at times. However, there was only one minor drawback in the latter session; only one half of the handout material to be used during the session was available.

Demonstrations

The demonstrations were interesting but brief. It was unfortunate that the time available for demonstrations of the IDEA and AuditMASTERPLAN packages was so short. It wetted one's appetite and only gave a glimpse of the potential applications of these tools.

organizers, that the seating provided by the hotel was extremely uncomfortable. This, in turn, made it rather difficult to concentrate on the speaker's presentation.

The concerns I have expressed, do not, however, outweigh the positive benefits and objectives of such a conference. As refinements are made, I am sure the conference will continue to gain international recognition.

Michael Masliwec

The conference provided participants with a unique opportunity to hear the profession's leaders discuss their views on auditing and computer technology.

As a participant, I found the keynote speakers to be interesting, informative and capable public speakers. This however, could not be said for the majority of the sessions I attended.

The session speakers were all technically very proficient. But, as public speakers, many lacked the ability to get and maintain the audience's interest. Furthermore, little practical benefit could be derived from these sessions. This latter concern, I believe, was highlighted by the popularity of the in-depth workshops, which were completely booked well in advance.

It should also be mentioned, in all fairness to the session speakers and the

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Roman Garncarz

Although this is the third conference of this type, this is the first one I have attended. The three-day conference offered 18 sessions and 6 workshops. Because sessions and workshops ran concurrently, attendees had to choose which ones they wanted to attend. Attendees came from various levels of government, business and accounting firms. Most were from the southern Ontario areas, but they also came from across Canada, the United States and Australia.

Each morning the conference opened with a keynote session which all participants attended. The most interesting was by Martin King who talked about Future Dimensions in Auditing and Technology. His presentation was a fermenting variety of new developments. In his one and one half hour session, he was able only to touch on things. One of his examples was that of an encyclopaedia company putting their entire work on a compact disk (similar to the music compact disk) which only took up 20 per cent of the space. To try and fill up the disk they added a cross-referenced index which took up slightly more space on the disk than the encyclopaedia itself. To fill up 80 per cent, they added a world map, dictionary and thesaurus. Every year, subscribers will be able to update the encyclopaedia for a small fee.

The following is a brief description of the sessions I attended.

Value for Money Auditing of EDP Expenditures

**Presented by David Marshall and Larry Duff of the Office of the Auditor General.*

Through computer animation, the speakers tried to point out the importance of having good planning and controls over the introduction of the EDP system. The cost/benefits have to be weighed before any major expenditures take place. If the discussions are made in favour of an EDP system, then the conversion process needs to be timely or else it may be outdated by the time it is installed. Also, the efficiency of the computer operation must be evaluated. The main criticism of the session is that points discussed were very general without giving examples or useful tools for applications by attendees.

Computer Losses and Forensic Accounting

**Presented by Don Holmes, Peat Marwick Linquist Holmes.*

Mr. Holmes gave an overview of the risks involved in the use of computers. He pointed out the vulnerability of computers because of the lack of audit trail and human intervention. The most frequent computer losses resulted from errors and omissions. With an international computer crime, a significant

number of companies did not report the loss to police. He indicated that computer 'hackers' made up a low percentage of computer crimes. He then articulated the investigation process and outlined what actions can be taken to prevent or reduce computer losses.

Computer Control Guidelines II

**Presented by Ruben Posen, Touche Ross & Co.*

Mr. Posen was involved in the committee which updated the CICA's previous Computer Control Guidelines and Computer Audit Guidelines publications. Mr. Posen went over the new study called Computer Control Guidelines II and explained how it differed from the previous studies. One of the major thrusts of Mr. Posen's presentation was the need to put accountability for computer controls on the user of the information. The responsibility for controls must be designated clearly; and ownership of systems, programs and data must be clearly established. The user must be responsible for making sure controls are built into the system. He also indicated that auditors must be more clear in what they mean when discussing controls to management.

Diagnostic Auditing

**Presented by John Kearns, Brian Caine, Clarkson Gordon.*

Basically, as the two presenters stated, Diagnostic Auditing is VFM auditing in a different package. They went through the steps in conducting a diagnostic audit giving real examples of how it was done. The introduction of real examples and a structured approach was useful to attendees because the examples could be used everywhere; the approach is not unlike that used by the Provincial Auditor. The examples given dealt with private company based procedures/approaches that could be used in any type of environment. The session provided an indication of how other auditors are approaching operational/VFM audits.

Computer Crimes

**Presented by Ted Green, O.P.P.*

The Detective Sergeant gave an interesting look at the enforcement side of computer crimes. Some of the ground covered was similar to that by the Computer Losses and Forensic Accounting session. Mr. Green provided examples of computer crimes and stressed the need for auditors and businesses alike to report such crimes to the police. He noted that a substantial number of such crimes are not reported by companies and that in fact letters of recommendation are given to computer criminals when they are dismissed. This results in the new company not being adequately warned.

He indicated that most of the computer criminals are usually relatively long-term employees. Mr. Green quoted

some legal precedent cases which the police use in their cases as well as the general law covering computer crime. In general, the session brought home the seriousness of the risk through the use of computers in business.

Application Systems: An Evolving Audit and Control Strategy

**Presented by Bob Widdowson, Peat Marwick Mitchell & Co.*

Mr. Widdowson outlined the misunderstanding of directors and senior management to the existence and effectiveness of application controls in computer systems. The fragmentation of computerization within business reduces the effectiveness of controls, and the lack of standardization causes missing or duplication of controls. The auditor's responsibility is to document systems at a high level so that they can be understood by everyone responsible to identify where controls are required. Documentation at a high level promotes better understanding by all levels of employees of the processes in any information system.

Mr. Widdowson then described how auditors should become involved early in the computation process to design controls. He indicated that emphasis should be placed on the development of key controls for an efficient control system. The presentation supported that of Ruben Posen which indicated that responsibility for controls have to be understood and accepted by management.

Overall, the conference was informative and provided a forum for the exchange of ideas and approaches dealing with auditing in the computer environment.

Jan Ledson

On the whole, the conference was extremely useful and thought-provoking, and it was very refreshing to get away from day-to-day details to look at the "broad picture" of forces that are changing our profession.

The sessions were mostly interesting and well thought-out. Occasionally, however, some were at too basic a level. In future, I suggest the level of coverage be indicated in the conference program so that attendees would be able to tailor their sessions more appropriately.

I found the keynote sessions to be the most useful to me in terms of new information, and most were even a bit controversial. For example, since auditors tend to be quite a conservative group, it was interesting and a bit surprising to hear speakers on the first morning recommend that we must be more willing to take risks (in most cases this would mean an expanded role for audi-

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tors — examples might include more work on future projections or reporting on other material in the annual Auditor's Report).

Discussion and questions covered the fact that auditors cannot accept unlimited risk — the risk factors must be managed, and the risk kept within reasonable bounds. Not touched on was the matter of cost; in recent years (especially since the recession), companies ask for the minimum amount of audit work possible (at the least cost). Therefore, I wondered how is this expanded role for auditors to be practically implemented?

Another point mentioned was that auditors may be facing problems particularly in the EDP area; where other groups are being more aggressive, auditors may be in danger of being left behind.

On the final morning of the conference, another very interesting speaker discussed many of the current technological changes that can be expected within the next few months or years. For example, the compact disks that are replacing the old black vinyl musical recordings are also finding many new applications in the video and digital areas. Just one of these digital compact disks (called "CD-ROM" for short) can hold 550 Megabytes of data — for example, one disk could hold an entire twenty-volume encyclopaedia plus an entire language dictionary — and still have room left over! Compare this to an ordinary floppy diskette, which holds a maximum of 1.2 Megabytes of data on a piece of plastic which is about the same size. In addition, video data, audio data and text can be contained on the same compact disk — the first three-way reader/player is already on the market. Unfortunately, at the present time, users cannot write on these disks — they must be purchased. The recording setup is quite expensive — several thousand dollars for each disk — but after that, each copy can be produced for very little ("pennies"). At the present time, this is perfect for "archival" types of applications — past volumes of periodicals, newspapers, etc. For example, once the technology takes off, every office could have the past 100 years of all major newspapers and business magazines on their shelves for only a few dollars.

It seems as if we are going to be subjected to a massive information overload, as these things become better and cheaper — we will need a computer just to manage our information library for us!

Also coming in the near future, Hitachi is working on a "writable" version of the compact disk, so that users will be able to create their own. Unfortunately, in the area of compact data storage, the Japanese are moving ahead rapidly and now have close to 90 per cent of this market.

Data Security was a major topic throughout the rest of the conference, and this is of increasing importance everywhere. Managers are becoming much more sophisticated in their EDP knowledge and awareness, but many gaps still exist. Most managers perform little or no risk analysis — and when asked about the possibility of a problem (data loss, data corruption, etc.) most have not really thought about it at all ("It hasn't ever happened here" — yet!). Managers make trade-offs, but they should be aware of the risks and take a balanced approach.

In Systems Development, for example, new systems often run behind schedule and there is a lot of pressure to put them into production before they are really finished — many times there is pressure to skimp on testing, training and/or documentation — there may even be programmers still debugging the system after it is in production: but have the managers considered all of the risks? Some systems which have been subject to this approach are installed a bit sooner, but then staff wastes hundreds of hours because nobody understands the system, and it doesn't really do what it was supposed to do anyway. And I'm sure that we have all seen a few that were even worse than that. Rather than "productivity at any cost", a "balanced approach" is much more effective in the long run.

On the second day, the keynote speaker also predicted some changes. His main prediction was that computers would follow in the path of the telephone — eventually, everyone would have or use one (or even more than one). Currently, at IBM they have more than one terminal per person and are still acquiring them at the rate of one and one-half per day.

Again drawing an analogy to the telephone, the more terminals that are linked, the more value each one has: faster communication, better decision-making, faster implementation of decisions, etc. However, there are also serious hazards: the risk of errors, system failures, fraud, unauthorized access, and possible loss of confidence in the system must be considered and guarded against. Our society still is based largely on being able to trust others (including machines in a sense), and it is essential that we, as knowledgeable people, do our best to maintain the integrity and reliability of the systems under our influence. This means rigorous data security procedures.

The following are suggested mandatory practices:

- design all systems to withstand a hostile environment.
- rigorously separate procedures from data.
- provide automatic fault isolation (e.g. a failing disk drive shuts itself down in an orderly manner).

- assign responsibility and accountability (but only for items under an individual's control.)
- rules for use of systems should be self-evident (as in computer games — you learn by using).
- natural language should be used whenever possible.

"Designing for a hostile environment" would probably include passwords and other access controls (such as dial-back and automatic log-off of inactive terminals). These should be implemented and properly maintained.

In other words, unless we try to minimize any possible disasters (by building in the most rigorous control system feasible — after careful and thorough risk analysis), we are in danger of contributing to the tremendous problems that would be caused if the lack of trust in our society escalates further. Remember the chaos resulting from the contaminated pills recently in the U.S.A. (Tylenol, etc.)

The closing thought for the session was an ancient Chinese curse:

"May you live in interesting times."

Gerard Fitzmaurice

The conference covered a broad range of topics which, given my limited EDP training, were presented in terms I could easily understand. There were three presentations I particularly enjoyed: Computer Crimes, presented by Ted Green of the Ontario Provincial Police; Future Dimensions in Auditing and Technology, presented by Martin King from SKK Inc.; and EDP Security, presented by Bill Murray of IBM Corp.

Mr. Green, who gave several examples of cases he has worked on as an officer of the law, provided a different and interesting perspective on computer crime.

Mr. King's talk started off slowly, picked up pace as he went along; and by the end of his presentation, I was very enthusiastic with respect to the future possibilities of computer technology.

Mr. Murray then bounced up to the podium to put forth a very lively presentation on EDP security. I couldn't decide who would have made the better Amway salesman, Mr. King or Mr. Murray; they were both excellent speakers.

In general, I found the conference interesting and informative.

(continued from page 9)

Kelvin Jobity

Three keynote sessions provided valuable insight into the current thinking of professional leaders. Of special mention, and by far one of the most interesting sessions, was Martin King's presentation on "Future Dimensions in Auditing and Technology." This included everything from high volume data storage to communication processing and security techniques. Mr. King has exceptional knowledge of his topic and distributed valuable handouts to the audience prior to his presentation; and his presentation skills were such that he sparked participants' enthusiasm. He was able to transmit his broad view of the future to the attendees.

Six workshops were available. I attended the Computer Aided Auditing Techniques (CAAT) and Data Security workshops. The presentation for the CAAT workshop was most disappointing; the objectives were confusing and did not seem to match that of the official program. And it appeared that an opportunity was seized to peddle an application in which the instructor has an interest; namely, Interactive Data Extraction and Analysis (IDEA).

The Data Security workshop was very interesting and informative and included the actual implementation of a data security program for a large banking complex. It highlighted the main issue to be dealt with in this type of project implementation, eg. organization policies, standards, procedures and training, as well as audits of the data security implementation.

There were 18 concurrent sessions on various technical subjects. For the one session I attended, "Application Systems: An Evolving Audit and Control Strategy", while the hand-out material, a copy of the instructor's presentation, was useful, the presentation offered no new information nor did it elaborate on any point presented in the handouts.

Two new products were introduced: IDEA, developed by the CICA, and AuditMASTERPLAN, developed by the Institute of Internal Auditors. Presentation of the latter product, although a bit technical for many participants, showed good potential as an audit planning tool.

H.R. Goss

Audit Use of Publicly Accessible Databases

**Presented by Rod Perry, Partner, Coopers & Lybrand, United Kingdom.*

Mr. Perry provided a general overview on the use of publicly accessible databases (PADS). Over the last twenty years, the falling cost of mass storage

devices and the increased power of software and hardware have made it possible to store and retrieve vast amounts of business and scientific data in information databases. The improvements to screen-based retrieval software and to the growth of networking services world wide have combined to spawn an information explosion by offering access to this sort of information to a huge market of potential users.

Despite these facts, the use of PADS is unlikely to find rapid widespread use and acceptance until:

- (1) Directly relevant information is available based on improved retrieval and communications technology;
- (2) information is available at the professional desk or at the audit site;
- (3) cost is such that the PAD technique is economically based on increased volume usage.

Unfortunately, Mr. Perry's examples of PADS in existence were all U.K. based. (In Canada, PAD such as INFOGLOBE are available for audit use.)

Educating of the Profession

**Presented by Bill Swirsky, Canadian Institute of Chartered Accountants*

Mr. Swirsky provided a good discussion on the need for the profession to take the lead in computer technology. His entire lecture centered on the theme that "Jet Pilots Don't Use Rear View Mirrors."

Basically, times are changing rapidly as computers are applied in more and new areas of life. If the accounting profession intends to remain in a highly respected position, it will have to educate itself in computer technology. We are currently "looking in the rear view mirror."

Currently, the profession has no mandatory continuing education requirement; and as a result, few members pursue any continuing education. We cannot rely on a few people to demystify computer technology.

Learning by doing is very important. The teaching application is a very successful approach since people can see the constructive use of computers.

Overall, the message was that you should learn computer technology as quickly as you can or be left behind. We cannot continue to look in the "rear view mirror" in a rapidly changing world.

A report entitled "Meeting the Challenge of Change, Report of the CICA Long-Range Strategic Planning Committee, 1986" was distributed.

Rudolfe Chiu

Building an Expert System: A Case Study

**Presented by Lynford Graham, Coopers & Lybrand, New York.*

As indicated, Mr. Chiu chose to discuss one aspect of the conference he feels is of great significance — artificial intelligence (AI) — rather than assessing the conference as a whole.

Expert Systems — a World of Possibilities

With the advances in artificial intelligence (AI) technology, the world of "expert systems" is gradually emerging from the horizon. The hope of many professionals that one day their less knowledgeable staff in their respective fields can be trained to perform at a more professional level instantly on the job may be a reality. This is made possible with the coming of the expert systems, which promise to do just that and much more. In the U.S., expert systems are being developed for uses in a variety of professions: from teaching medical interns to making diagnosis, to analyzing geological data for exploration sites, to guiding space shuttle landings, the possibilities seem endless.

Barriers to Entry

However, the initial developmental costs of even a most modest expert system can be quite expensive. Most experts in the computer information industry have yet to be convinced of the feasibility in building expert systems for business applications at this time given the exorbitant start-up cost requirement. Despite this scepticism, one U.S. accounting firm developed an expert system for use by its staff. At the Canadian Conference on Auditing and Computer Technology, Lynford Graham of Coopers & Lybrand's New York office shared with participants the experience of his firm in the building of an expert system (EXPERTAXsm) for U.S. corporate tax accrual and planning.

Problems that Demand a Solution

Mr. Graham mentioned that for many years, his firm has experienced a great deal of problems in the corporate tax accrual area. Because of the complexity and ever changing U.S. tax rules, Coopers & Lybrand (C & L) utilizes a 30-35 page questionnaire to help its audit staff identify corporate clients' "tax book" differences. Additionally, a manual is also provided to staff to explain why each question is asked. The disappointing fact is that the manual is seldom used. According to Mr. Graham, it is so thick and difficult to understand that it is intimidating for most of their audit staff.

As a result, C & L finds it quite difficult to ensure that audit staff capture

(continued from page 10)

all relevant tax information before leaving the field. It is not uncommon to have staff return to the field several times to obtain additional information after the files are viewed by tax experts in the office. This process is not only frustrating for staff, it is also counter productive in terms of client relationship.

To properly discharge the attest responsibility, the follow-up exercises are deemed to be absolutely necessary. However it is unfair to clients if they are being charged for the excess time spent. To further compound the problem, corporate tax election in the U.S. must be done at the first half of the year. Thus to be effective in helping clients obtain the best tax treatment, auditors have to be able to uncover planning uses early in the year.

As the accounting profession becomes more and more competitive, there is pressure to maintain prior year audit fees. Current levels of productivity are especially difficult to maintain in the corporate tax area, since it is almost inevitable that U.S. tax rules will be changed every year. Accordingly, an expert system, which has the capacity to update and adapt to changing tax and accounting rules would be the key to increasing the productivity of staff.

Since an expert system should know all the possible answers to a tax issue without being affected by the personal biases of different tax experts, it can provide consistent answers to U.S. tax questions.

In acquiring an expert system, a firm can benefit from training an all knowing tax 'expert' in house and provide a logical 'teacher' to train its staff.

Building of the EXPERTAXsm — a Case Study

Essentially, the building of any expert system is the building of a mega knowledge base. It has to do with inference knowledge engineering in the acquisition, extraction, storage and updating of knowledge from numerous experts on a certain subject. Because the system must also intersect with users in giving out expert responses to their specific problems, a special computer language which can handle a wide range of contingent and consecutive logic must be used. Consequently, a great deal of computer memory is usually required.

In the case of EXPERTAXsm, C & L selected the Gold Hill Common LISP as its processing language. As a subset of the LIST processing language, Gold Hill Common LISP is able to handle different symbols as opposed to numerical figures used in standard computer processing. Gold Hill was chosen also because the supplier was willing to work closely with C & L staff in the development of the prototype. The selection of a computer on which the EXPERTAXsm should run was a much easier decision. Figuring that

it was still an IBM world out there in computerland, C & L decided that the EXPERTAXsm should be made to run on IBM and IBM compatible personal computers.

The main problem was identifying the experts for inputting the system. Throughout the U.S., many partners in the corner offices when approached simply admitted that they didn't know very much about the subject of corporate tax; some were practically intimidated by the idea of building such a system.

In addition to identifying experts who would be willing to participate, staff members on the project also had difficulty in understanding what type of expertise they wanted to capture in the expert system. For example, there are some "strategizing" experts who would be good at conceptualizing new ideas; there are also the "what" and "why" experts who are meticulous in obtaining relevant information and excellent in analyzing data; as well, there are the "summarizing" and "presenting" experts who are more articulate than others in communicating ideas in a professional manner.

After much enquiry and research, about 40 experts were invited to pour all this expertise into building the all important prototype.

Since expert systems are intended for use by less knowledgeable staff in the field, designing the product's environment is crucial in the final success or failure of the system. In the building of EXPERTAXsm, C & L arranged to have staff who had no knowledge of corporate tax on one side of a room with experts on the other side of the room to tell the staff how to complete the corporate tax form. There was a curtain in the middle of the room so that the staff would be physically separated from the experts. Usually two experts were assigned to each of this simulation section to encourage them to compete in providing the best answers and explanations to issues of corporate tax to the inexperienced staff.

For most experts involved in this simulation exercise, it was quite a frustrating experience. While they were allowed to tell the inexperienced staff everything they knew about corporate tax, they were not allowed to show the staff how to complete the form except through verbal communication. Many times the experts got so mad, they had to be physically restrained from running to the other side of the room to show staff the proper way to perform the job.

The prototype thus developed was then tested by another 20 experts. The instant feedback feature of the expert system allowed for further knowledge acquisition through the interaction with these experts. By the time Mr. Graham presented the EXPERTAXsm to the conference, over two thousand frames of experts' responses on tax issues and rules were incorporated into the system.

Future of Expert Systems

The building of EXPERTAXsm proves that it is feasible to develop expert systems for business applications. The current concern of costs for special computer software and hardware requirements hopefully will be taken care of by future advances in microcomputers and AI technologies.

The real challenge, as one can see in the C & L experience is in the building of the EXPERTAXsm and in the understanding of expertise. For anyone who is serious in the building of any expert system, he should know at least:

- What expertise that he wants to capture in the expert system (This is knowledge that changes rapidly);
- Where to find the experts to input and subsequently maintain the knowledge base;
- How to protect the knowledge base with tight security measures (Remember that knowledge is a liquid asset).

The most important consideration, as in any major capital purchase, is whether the total benefits of an expert system would be greater than its costs. As always, the old maxim "look before you leap" still applies.

NEW STAFF



Stephen Stobie

Stephen, who started in the Office on November 10, holds a B.Sc. in microbiology from the University of Guelph, and finished his C.A. credits at Wilfrid Laurier and York Universities. Stephen comes from Thorne Riddell after spending two years in their Toronto office. Stephen's hobbies over the previous couple of years include accounting, auditing, and taxation; although he has expressed interest in becoming active again in skiing, golfing and travelling. His immediate goal is to learn as much as possible from his fellow earthlings in the Office.

NEW STAFF



Chris Popalis

Chris comes to the OPA from Thorne Ernst & Whinney. He holds a commerce degree from the University of Toronto and is working towards his CA designation. In his spare time, Chris enjoys playing golf, hockey and tennis.



Ani Tourian

Ani, originally from Montreal, is studying Math/Chartered Accounting at the University of Waterloo. After four months at our Office, she will return to the booming metropolis of Kitchener-Waterloo. During her numerous occasions of leisure, she enjoys hunting and fishing with the locals.



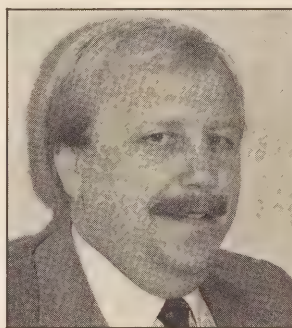
Jennifer North

Jennifer has just passed the half-way point at the University of Waterloo. Her third work term will end in December and then it's back to being a regular student. When not in class or at work, she spends time on ski slopes and running tracks.



Linda Beaulieu

Linda holds a B.Comm. from Laurentian University. She has two years of public accounting experience and wrote the UFEs this fall. Linda enjoys music, aerobics and tennis.



Stan Pawlowicz

Stan came to the office on October 27, as auditor with the Special Assignments branch, from Arthur Andersen & Co. Stan received a commerce degree from Laurentian University in Sudbury and received his CA designation in 1978.



Joan Kolynchuk

Joan comes to the Office after working at Peat Marwick for the last two years. Joan has an honours bachelor degree in business administration from the University of Western Ontario and hopes to obtain her CA designation. Interests including curling, squash and music.



Brian Wanchuk

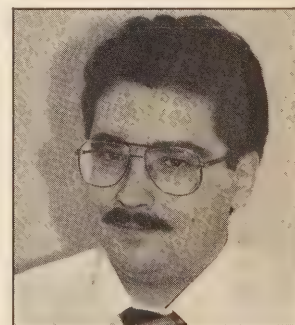
Brian joined the Office in November as a CA student. He is a York University business administration graduate. Brian has had three years of public accounting experience with Clarkson Gordon. He will be attending the 1987 School of Accountancy; and, upon passing, he will be writing the UFEs next fall. Brian's interests include horseback riding, sports (especially football) and chess.



Jerry Hussar

Jerry comes to the OPA from Deloitte Haskins & Sells. He graduated from the University of Toronto with a bachelor of commerce degree. Having written the UFE's, he is anxiously awaiting the results.

Jerry enjoys his Saturday afternoons by carefully "scrutinizing" opposing quarterbacks while playing defensive end for the Central Ontario Football League champions; the Mississauga Raiders. He also enjoys hockey, baseball, skiing and golf.



Brad Henderson

Brad studied at Guelph, Wilfrid Laurier and York Universities to graduate with a degree in business. He articulated for two years with Thorne Riddell before starting with the Office on November 24 and is another UFE finalist anxiously awaiting the results. Brad is a newlywed of three months and his interests include playing a variety of music on his guitar, playing golf and skiing.

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OFFICE OF THE PROVINCIAL AUDITOR

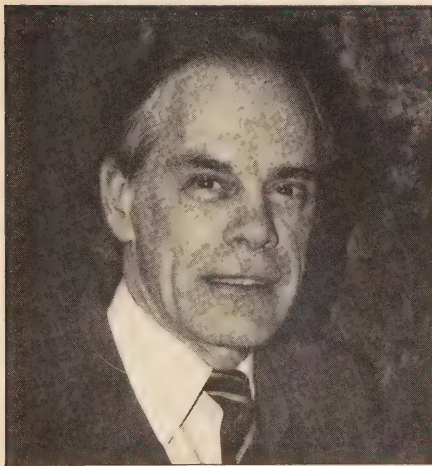
F O L I O

Spring 1987

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NEW ACCOMMODATIONS FOR THE OPA



Douglas Archer
Provincial Auditor

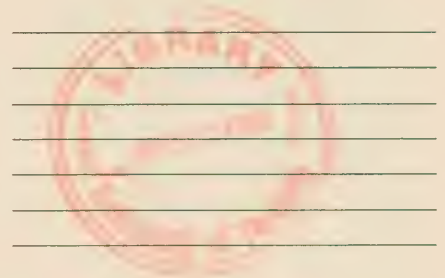
What better way to usher in the start of the Office's second hundred years than a move to new and modern quarters. After several years of cramped and make-do accommodations, we now have the space and facilities required by a contemporary legislative auditing office.

Our new location should be a boon to staff spirit and efficiency, and it should be beneficial also from the standpoint of staff recruitment and retention. An unexpected benefit has been an enhanced perception by others of the Office's independence. More than one visitor to our new premises has commented that we "no longer look like a government office."

There are still a few finishing touches (reception area, boardroom, wall hangings) to be made before we are com-

pletely settled in. Unfortunately, they seem to drag on longer than we would like. Once they have been completed, however, I'm sure our Editorial Advisory Board will strike a sub-committee to arrange an Open House for all employees and their families and friends.

Douglas I. Archer



SUCCESSFUL 1986 UFE FINALISTS

Provincial Auditor Douglas Archer and Assistant Provincial Auditor Jim Otterman congratulate the 1986 successful Uniform Final Examination candidates (from left to right) Joan Kolynchuk, Daniel Chang, John Ross and Linda Beaulieu. The victory was especially sweet for Linda and Daniel as they have passed the last hurdle and are now Chartered Accountants.



PAC Update

by John Sciarra

From October 1986 to February 1987, the Public Accounts Committee held 16 public meetings which included the review of the following:

- the Provincial Auditor's Report on the Industrial Accident Prevention Association (IAPA);
- the severance and pension package that the Government offered the retiring Clerk of the Legislative Assembly;
- the 1986-87 Estimates of the Office of the Provincial Auditor;
- the Ministry of Housing's Convert-to-Rent Program.

In addition, the Committee passed a motion that a full investigation be undertaken with respect to the granting of a \$5 million investment by the IDEA Corporation to Graham Software and the subsequent handling of this investment by the Ontario Development Corporation.

Following the Committee hearings dealing with the operations of the IAPA and the Provincial Auditor's Report

thereon, the Committee remained somewhat unsatisfied with many aspects of the Association's performance. The Committee then made 20 recommendations for improvement, many of which stemmed from the deficiencies noted in the Provincial Auditor's Report.

During the Committee hearings respecting the controversial provisions of the Clerk's retirement package, some members viewed the reported \$31,500 annual stipend for completing his book on the history of the Legislature as excessive. Shortly after the Committee's hearings on the matter, it was learned that the Clerk's retirement package had been revised largely in response to the Committee's concerns.

The Committee's concern over generous termination payments also included a motion requesting the Provincial Auditor to obtain information including contracts, agreements, settlements and terms of settlement of various individuals formerly employed by agencies of the government. The main con-

cern here was with the lack of public availability of information respecting the termination payments made to publicly paid officials. The information obtained by the Provincial Auditor was tabled with the Committee on December 18.

The review of the Convert-to-Rent Program mainly dealt with the \$3.5 million interest-free loan approved for the Huang and Danczkay development located at Harbourfront. The allegation made by some members of the Committee was that the approval of this project for the largest single loan to date appeared to be based on political influence rather than on the strict application of the program guidelines.

The Committee usually meets for a period of time during the Winter recess to review matters of interest. House approval has been requested to meet during the week of March 23 to conduct the investigation into the previously mentioned \$5 million investment in Graham Software and also to review the Provincial Auditor's Report on the Review of Courthouses in Ontario.

Best Wishes From Public Accounts Committee

As recorded in the Standing Committee on Public Accounts subcommittee report of Thursday, December 18, 1986, a member of the Committee noted:

"This year ends the 100th anniversary of the Provincial Auditor and on this special anniversary, as we go into the 101st year, we wish you well for many years to come... We appreciate the work you have done and the co-operation you and your staff have given me as a member of the committee."

Another member agreed, adding: "I want to concur with my colleague's comments that we certainly do appreciate your hard work, sound thought and service to this committee provided by your office. I had the pleasure of representing our chairman and the committee as a whole at the celebration that was held to mark the 100th anniversary. I particularly enjoyed that evening because it was an opportunity to meet the many members of your staff whom we would not normally encounter in the committee.

I think you have a very fine team indeed. We... certainly enjoy working with you and look forward to a long and fruitful association."

Hildegard Halvachs



Congratulations to Hildegard Halvachs for 10 years of active service with the Institute of Internal Auditors (IIA).

At the Institute's 43rd. Anniversary Dinner Meeting held at the Royal York Hotel on Thursday, February 19, Don Kitchen, President of the Institute's Toronto chapter acknowledged Mrs. Halvachs' active service by presenting her with a "10-year" commemorative pin.

Guest speaker at the dinner was Peter Wilson, President of IIA Inc. in Florida.

School of Accountancy Admission Examinations

The next Institute of Chartered Accountants of Ontario School of Accountancy admission examinations will be written May 11-13, 1987.

The 1987 School of Accountancy will be held from June 1 to June 26.

MARKERS WANTED

Applications are invited from CAs and successful 1986 Uniform Final Examination candidates interested in marking examinations for the 1987 School of Accountancy in June and July, and/or the May and August 1987 admission examinations. To receive an application form, contact Soula Nielsen at the Institute of Chartered Accountants of Ontario (416) 962-1841.

If you require further information, please contact Brian Leader or Wayne Jackson, assistant directors of education at the Institute.

Challenging Your Residential Property Tax Assessment

by Sid Latchana

Mr. Latchana's knowledge of this topic is derived from first-hand experience; on two occasions, he followed the steps outlined herein in appealing his property tax assessment before the Assessment Review Board and was successful both times in lowering his property taxes.

Tax Facts

The Ministry of Revenue is responsible for assessing all properties in Ontario through its Regional Assessment Offices. However, property taxes are imposed and collected by your local municipality.

Your property taxes are the product of two factors: the assessment and the 'mill rate' set by your local municipality. The assessment is the value on which property taxes (municipal and education) will be levied based on these mill rates. The word 'mill', derived from the Latin for 1000, refers to the rate based on each \$1000 of your assessment. Thus a mill rate of \$300 means that your local municipality is going to levy \$300 in taxes on each \$1000 of your assessment.

The Assessment Review Board is an impartial body whose main function is to provide taxpayers with a reasonable opportunity to be heard if they feel their assessment is incorrect or unfair.

Appeal Procedures

If you feel you have been unfairly assessed, you can do a number of things. Firstly, and this might make other steps unnecessary, discuss your concerns with your neighbourhood assessor at the Regional Assessment Office (address and telephone number are located in the blue pages of the telephone directory), and request assistance with or explanation of your assessment.

If you are still dissatisfied with your assessment, the next step is to file an appeal with the Regional Registrar of the Assessment Review Board. The steps you must take to lodge an appeal are listed on the back of your 'Notice of Assessment'. If you reside in the Metro Toronto area and you have not received a 'Notice of Assessment', (they are issued only upon purchase of a property or when the property is being reassessed) you can request a 'Notice of Appeal' form from the Assessment Review Board's office.

Ensure the information required to lodge an appeal against your assessment is completed and your reason for appeal is clearly stated. Your appeal must be filed before the deadline shown on your 'Notice of Assessment' or 'Notice of Appeal' form or you will lose the right to

appeal your assessment for that year; deadlines for filing your appeal are also advertised in newspapers. You will be notified at least 14 days prior to your hearing of the date, time and location.

Preparing Your Case

In preparing your appeal, there is a basic way to check whether you have been unfairly assessed; you can visit your local municipal office and inspect assessment rolls free of charge. These rolls will give you information on your own and neighbourhood properties such as owners' name, address of property, lot and plan number, size of lot and assessed value.

When choosing properties with which to make a comparison, ensure your comparisons are with similar houses in the immediate vicinity. For example, size of lot and size of house should be similar. If you discover a substantial difference in the assessment of your property and that of comparable ones, you have a sound basis for your appeal.

You should assemble your material for your hearing before the Assessment Review Board in the most effective manner; photographs can be of great help. Prior to your hearing, your assessor may contact you to discuss the reasons for your appeal and may even pay you a visit to inspect your home. At this point, a compromise on the assessed value of your home may be reached between you and the assessor.

Presenting Your Appeal

The Assessment Review Board hearing is very informal and is usually held in a municipal office or recreation centre. Hearings are conducted by an Assessment Review Board member, and you may present your case in a simple and straightforward manner without complicated and confusing procedures. You can argue your own case or have an agent or friend speak on your behalf. There is no need to retain a lawyer; if at any time during the hearing, you are unaware of what is happening, you are entitled to ask for an explanation.

The Board decides on questions of facts such as the current estimate of your property and whether certain work completed on your home is a repair or a renovation (this applies to work over \$5,000 only) which may account for a higher assessment.

The assessor usually gives evidence first and then it is your turn. After this, you may be questioned by the assessor and you, in turn, can question him. The presiding Board member may question both of you. One point to always remem-

ber is that the responsibility to prove unfairness or error in your assessment is with you, the property owner.

The Board's decision is usually given orally at the conclusion of the hearing. Later on, a 'Notice of Decision' will be mailed to you. If the decision is against you, it can be appealed further to the Ontario Municipal Board; if it is in your favour, the regional assessor also may launch an appeal.

Conclusion

Finally, remember a reduction of your assessment in any one year will reduce your property taxes payable in future years until your property is reassessed. Also, you are entitled to a refund of taxes overpaid for the year in which your assessment is reduced.

NEW STAFF



Imad Chaudhary

Imad is studying management accounting at the University of Waterloo. He is currently on his second work-term; this is his first at the OPA. His previous work-term was spent at Ontario Hydro. During his leisure hours, Imad enjoys playing hockey, tennis and snooker.



Joanne Flaherty

Joanne is enrolled in the mathematics/CA program at the University of Waterloo. A native of Toronto, this is Joanne's first work term. Between high school and university, she worked for a year in a design firm. She enjoys cooking, camping and is currently trying to get the courage to skydive.

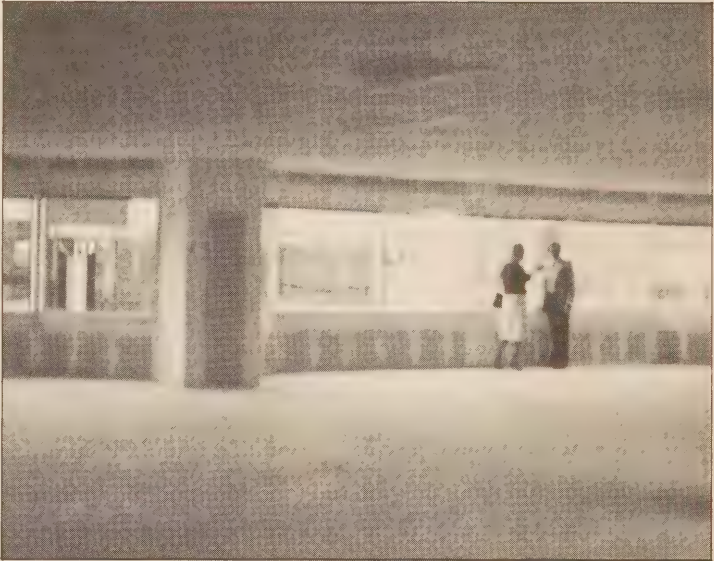
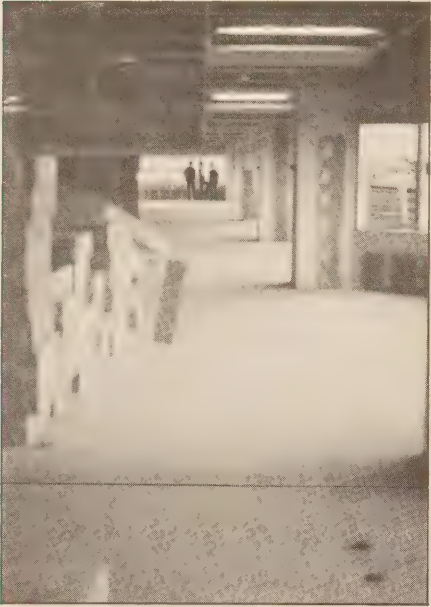
FROM THE OLD TO THE NEW: THE

Packing up from our old premises was completed with enthusiasm in anticipation of our new accommodations. Staff were invited to visit the new premises, bare of decor or furniture, and this created a great deal of expectation.

Construction began in mid September 1986 after plans from Design Planning Associates were approved. In just eight short weeks, we were able to move the entire Office. Cosmetic touches are being applied while we occupy the premises; and as Doug Archer mentioned, completion of these details is anticipated shortly.



PHOTO BY RICHARD FUNG



PHOTOS BY JAN LEDSON

NEW STAFF



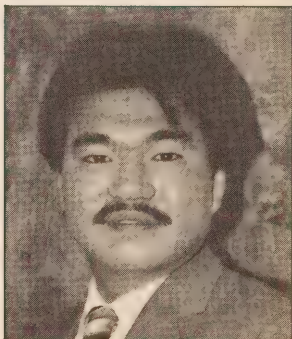
Naomi Herberg

Naomi has just completed her first term at the University of Waterloo. Her first work term ends in April and her second does not commence until next January. Naomi enjoys long walks when the occasion permits, a behaviour trait her sociologist parents assure her is in her ethnic roots.



Patricia Jackson

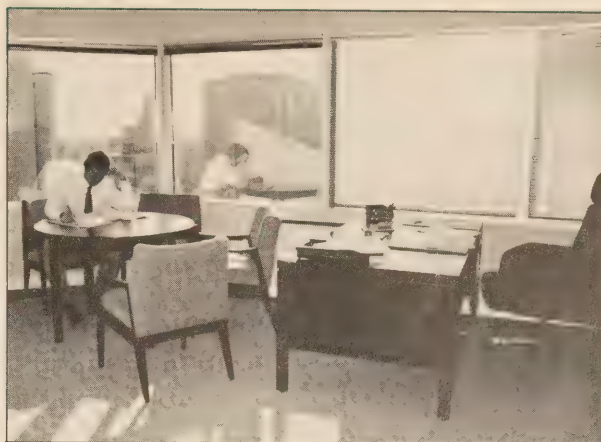
Trish comes to the Office after one and one-half years of public accounting experience. She graduated from the University of Toronto with a degree in business and will be attending the School of Accountancy this summer. Interests include dinner with friends, walks at the beach, skating and bowling.



David Luk

David joined the Office in February as a CA student. After graduating from Carleton University with a bachelor of commerce degree, he spent three years with the Bank of Nova Scotia before moving to Toronto. He enjoys squash, skiing and backgammon.

OFFICE MOVES TO NEW LOCATION



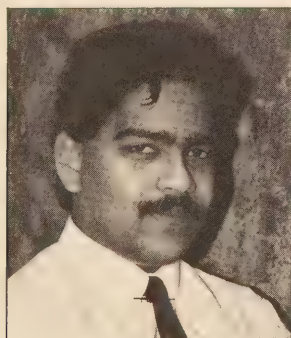
MGS Real Estate Lawyer Richard Grace with Doug Archer signing lease.

With our new telephone system, computer purchases and with sufficient 'desks' for staff, the OPA has been transformed into a professional, modern office. One staffer echoed the opinion of many of his colleagues, "the commitment to the work has always been there, but now we seem to get it done faster, better, more efficiently."

Thanks to Jim Otterman, Assistant Provincial Auditor, who supervised the entire move, to Peter Miller and to Richard Fung. The move simply would not have been accomplished within the deadline without their tireless, dedicated drive.

**A PERFECT WAY TO
COMMENCE OUR NEXT 100
YEARS!**

NEW STAFF



Jim Madapallimattam

Jim is studying math/chartered accounting at the University of Waterloo. After this four-month work term, he will be returning to Waterloo to complete his second year. He enjoys music and trivia and is an avid sports fan. Someday, Jim may start up a club for people with long last names.



A. Kelly Scott

Kelly has come to the Office after working for Dunwoody & Company for just over two years. She rowed for the University of Western Ontario where she graduated with a financial B.A. Kelly will be writing the UFEs in September and looks forward to resuming a 'normal' life.



Michael Vasiliou

Michael is a co-op student with the University of Waterloo in the arts/CA program. This is Michael's second work term; his first term was spent with Spicer MacGillivray in Goderich, Ontario. A native of Ottawa, Michael has written plays and is involved in all aspects of behind-the-scenes technical work with the theatre at Waterloo.



CCAF SEVENTH ANNUAL CONFERENCE

by Bill Porter and Denise Young

Twelve representatives of this Office attended the Seventh Annual Canadian Comprehensive Auditing Foundation (CCAF) Conference held at the Hilton Harbour Castle Hotel in Toronto from November 30 to December 2. The majority of the 450 delegates were from Canada, but there was also a large international contingent of delegates from such places as the Netherlands, England, Australia, South Africa, Zimbabwe, Trinidad, United States, South America, Saudi Arabia and China. Such worldwide representation is an indication that Canada is one of the world leaders in the development of comprehensive auditing techniques.

The CCAF was established in 1980 at a time when interest in comprehensive auditing was growing in government and public institutions. After the free-spending days of the 1960s and early 1970s, concern was being expressed publicly whether the expenditure of funds was providing value for money. Comprehensive auditing is a means to assess the value being achieved from government expenditures. The Foundation's primary objective is to collect and communicate comprehensive auditing knowledge and experience to the auditing community. Membership in the Foundation includes representatives from Canadian legislative auditors, public accounting firms, management consulting firms, internal audit departments and the academic community.

Throughout the year, the foundation undertakes numerous activities such as:

- designing and organizing professional development programs to promote an understanding of the concepts and applications of comprehensive auditing;
- conducting research and fostering the development of practices designed to ensure economy, efficiency and effectiveness in the management of public funds and resources;
- sharing of knowledge through professional development opportunities (for example, the Peer Exchange Workshop discussed in the fall 1986 issue of FOLIO).

The year's activities culminate with the Foundation's annual conference. This year, delegates could attend four technical sessions (from a total of 15 being offered) during the conference. The technical sessions dealt with comprehensive auditing as it applies to the following broad subject areas:

- (i) Effectiveness (this was the main topic addressed at the conference);
- (ii) Internal audit;
- (iii) Specific sectors of the economy: legislatures, municipal govern-

ments, crown corporations, hospitals;

- (iv) Information resources management.

The conference also included a report from an independent panel that the CCAF Board of Governors appointed in 1985 to conduct research into the audit of effectiveness. The panel was comprised of five individuals drawn from the ranks of the public and private sectors representing the preparers and the users of comprehensive auditing information.

The technical sessions which we attended dealt with the audit of effectiveness. Based on these sessions and the report of the independent research panel, two of the key issues (and popular opinions) currently being investigated on this topic are presented below.

****What basis should be used to measure effectiveness?***

It appears the measurement could be based on:

- (a) actual/perceived results of a program;
- (b) the factors which brought about the results (for example, inputs, management, organizations, and activities and transactions which took place);
- (c) the intended impact of the program;
- (d) the unintended impact of the program.

Each situation would require a different measurement technique depending on management's needs. Management should be involved to determine which measurement basis is most appropriate in a particular situation. In this way, management would participate in developing accountability assertions (value-for-money criteria). At present, management tends to react to value-for-money criteria developed by the auditor.

****Can auditors express opinions regarding the fairness of management assertions about their relative effectiveness?***

A popular opinion among some practitioners is that if the assertion made by management is in the form of a fact, then it is auditable and an opinion can be expressed. However, if an assertion is causal in nature, (for example, the automobile inspection program has reduced deaths by 20 per cent per year) the auditor cannot express an opinion because he cannot be certain that extraordinary items have not had an impact on the outcome of the assertion. He cannot audit the link between the assertion and the result.

No consensus has been reached on what format this audit opinion would take. As well, management would first have to be both able and willing to make

assertions on which to express an opinion.

Further research will be required before these issues can be resolved.

In summary, we discovered there are currently a variety of ideas but not a great deal of consensus on the topic of auditing effectiveness.

In a more general sense, comprehensive auditors must continue to be cognizant of who the users of comprehensive auditing information are, what needs they have and how those needs can best be met. As Kenneth Dye, Auditor General of Canada, mentioned in his keynote address to conference attendees, "one of the challenges for the comprehensive auditor is to help our elected representatives ask better questions of the right people in their scrutiny of public spending and accountability." These individuals face a problem of information overload. They require relevant information, and comprehensive auditors can assist in the provision of such information by ensuring that:

- (i) the work is scoped to address what is of greatest significance to the achievement of economy, efficiency and effectiveness under a value-for-money accountability regime. The areas with the most significant risks should be addressed first.
- (ii) audit reports provide information that is useful for decision-making and is actionable by the client. The report should be regarded as a means to an end — in other words, the correction of reported weaknesses — and not an end in itself.
- (iii) the work is evaluated objectively by someone other than practitioners on a regular basis. Perhaps this role of evaluator could be performed by the users of the information.
- (iv) the work is performed in a cost-effective manner and reports are issued on a timely basis.

In fact, according to Kenneth Dye, comprehensive auditing may develop methods to audit the stewardship of costly and valuable information resources. Governments in Canada spend billions of dollars to transmit information; and auditors must be concerned about where, how and for what purposes these dollars are spent, given the tremendous cost and confidentiality associated with the generation of information. Further research will have to be conducted on this topic.

On a lighter note, it was not all work and no play at the conference. The Board of Governors' reception, the annual dinner and the hospitality suites sponsored by various accounting firms provided many opportunities to meet and share ideas with other delegates.

STAFF PROMOTIONS

Promotion to Manager

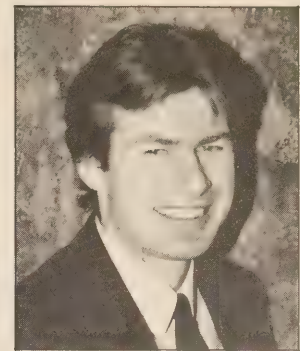


Robert Siddall

Promotions to Supervisor



Kelly Martin

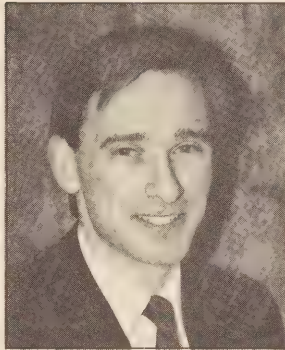


John McDowell

Congratulations

The beginning of 1987 was an excellent start for the New Year for Daniel Chang who was promoted to Auditor in the Justice Policy Field. Management suitably recognized the efforts of Linda Beaulieu, Joan Kolynchuk and John Ross.

Congratulations also to Richard Fung who was successful in his final accreditation exams of the Society of Management Accountants of Ontario and obtained his CMA designation.



Bill Porter



Denise Young

Resource for Audit Staff

by George Rilkoff

A book by the General Accounting Office (the United States General Accounting Office: Program Evaluation and Methodology Division, July 1986, Transfer Paper 7) on "Developing and Using Questionnaires" has been recently placed in the GAO section of the library.

It covers the subject in-depth and is, therefore, somewhat technical and not too readable. However, the chapters on "Advantages and Disadvantages of Merit Questionnaires" and "Writing Clear Questions" could be helpful if you are planning to use questionnaires on an audit.

Additionally, pertinent sections of some chapters are summarized here for staff and readers outside the Office.

Writing questionnaires is the science and art of asking the 'right' questions of the 'right' people in the 'right' way. One has to learn how to write questions in a clear, concise, interesting and easy-to-read format with a minimum loss in qualifying precision.

Generally, questionnaires are highly structured; they pose a collection of questions in a standardized and precise fashion. Unstructured questions are usually broad in scope and permit the

respondent to give a totally free answer. They are generally most useful during the early stage of an evaluation (the understanding phase of an audit) when exploring a problem. Sometimes they are the best option, either because there is insufficient knowledge to adequately structure the question or because of fear that the structure might unduly influence the respondents. However, unstructured questions can seriously compromise the validity of conclusions reached because they decrease the likelihood of obtaining relevant, comprehensive and unbiased data. Further, analysis, aggregation and presentation of the data later in the evaluation may become very difficult because of the questionnaire's lack of structure and the incomparability of the responses.

The eight basic principles for writing good questions are listed below. Underlying these rules is a most important axiom: thorough familiarity with the respondent group and an understanding of the subject matter from its members' points of view.

1. Ask questions in a format appropriate to the question's purpose and the information required.

(Continued on page 8)

Updates

by Doug Archer

The following updates relate to matters discussed at the last General Staff Meeting held July 31, 1986.

On December 8, 1986, Ken Dye (Auditor General of Canada) and I presented a submission on behalf of the legislative auditing community to the Macdonald Commission at a hearing in Toronto. This submission had been drafted by Bill Rogers, retired Auditor General of Alberta, with input from all legislative audit offices in Canada.

The Commission, established to study the public's expectations of auditors, is expected to produce a report sometime this spring.

The Canadian Comprehensive Auditing Foundation (CCAF) presented a research paper on transfer payments for discussion at the Legislative Auditors' Workshop held on November 29, 1986, immediately preceding the Foundation's annual conference (November 30 - December 2, 1986).

The CCAF's Legislative Auditing Committee will review the research paper and the results of the discussion as it attempts to analyze accountability in this important area. The Committee's next meeting is scheduled for March 20.

(Continued from page 7)

2. Make sure the questions are relevant, proper and qualified as needed.
3. Write clear, concise questions at the respondent's language level.
4. Give the respondent a chance to answer by providing a comprehensive list of relevant, mutually exclusive responses from which to choose.
5. Ask non-biased questions by using appropriate formats and item constructions and by presenting all important factors in the proper sequence.
6. Get non-biased answers by anticipating and accounting for various respondent tendencies.
7. Qualify the response measures where possible.
8. Provide a logical and unbiased line of inquiry to keep the reader's attention and make the response task easier.

Also included is a very useful chapter on formatting questions. Briefly, prior to writing the questionnaire, a format for each question must be chosen. Each format serves a specific purpose, and this purpose should coincide with the information and data analysis needs. For example, will the questionnaire be used as a guide to conduct an interview or will it be used to survey a number of respondents?

Because very precise and factual evidence is usually required, open-ended questions should be used sparingly. But it does happen that open-ended questions are unavoidable when, for example, criteria must be developed through other exploratory work. Also, open-ended questions do sometimes have advantages. If a sufficient number of people are asked an open-ended question, a list of alternatives for closed-ended questions can be developed and

will cut short required research. Open-ended, follow-up questions are frequently used to ensure complete coverage. For example, offering a yes/no question and following it up with a 'why' provides respondents with the opportunity to comment on items in the questionnaire.

The balance of the chapter deals with closed-ended questions, as they are perceived as the 'meat and potatoes' of questionnaires; and a number of technical formats are identified and explained.

For readers outside the Office interested in this GAO paper, copies can be purchased through the authors in Washington, D.C. at (202) 275-7329 or (202) 275-1854.

COMMUNICATIONS UPDATE

by Ilze Petersons Taylor

The February issue of BULLETIN concluded with a thought-provoking discussion on how to win at wordsmanship through the use of jargon. The article advocated the use of the Systematic Buzz Phrase Projector, a method guaranteed to transform a writer's linguistic frustration into fulfillment.

The buzz phrase method works on the following principle: three popular buzzwords are strung together, producing a phrase sufficiently ambiguous to stun the reader into an intimidated acceptance of the written message. Since the reader is mystified, the writer's statement takes on a "ring of decisive authority." Who, for example, would dare question a memo arguing for 'total organizational flexibility' or proposing 'parallel reciprocal options'?

A quick perusal of business correspondence, government publications and academic journals shows that many writers are familiar with the Systematic Buzz Phrase Projector. Included below are some particularly effective examples of its use.

Case 1: A businessman's query to a colleague.

"Kindly advise if the information enclosed gives confirmation to the conclusions outlined herein."

Case 2: Article from Globe & Mail, December 10, 1986, entitled, "U.K. Firm Wins Booby Prize for Language."

"The share prospectus of British Gas Corp., privatized by the Government this month amid massive publicity, won the company the dubious accolade of a "Golden Bull booby prize for gobbledegook" — turgid, nonsensical use of language. A sentence in the British Gas

prospectus (stated that by signing the form, applicants) . . . agree that "without prejudice to any other rights to which you may be entitled, you will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application."

No British Gas representative was present to receive the award, a small golden bull mounted on a black plastic stand."

Case 3: Excerpt from 1985 Public Accounts of Canada regarding the Consolidation of Crown Corporations with government.

"In addition, revenues and expenses of Crown corporations related to the Government and other Crown corporations which had been previously excluded for financial interest purposes are now included for consolidation purposes in order to be eliminated."

Case 4: Paragraph taken from the 1985 Workers' Compensation Board Annual Report, explaining the impact of new legislation on the Board's unfunded liability.

"By way of example, the Board's actuaries estimate that, without any form of indexing, the Board will eventually pay out \$2.3 billion with respect to benefits and services for 1986's new injuries. Given Bill 81's provisions, and an average annual inflation rate of six per cent, the payout increases to \$6.9 billion. The lump sum required to cover the non-indexed payout is \$1.3 billion (investment income of 9.2 per cent per annum will cover the remaining \$1.0 billion). The lump sum required for the indexed payout, on the other hand, is \$1.7 billion. In terms of assessment

rates, these lump sums represent \$2.10 per \$100 of payroll for non-indexed payouts and \$2.71 for indexed payouts. (These rates make no provision for retiring the unfunded liability.)"

Case 5: A mathematician's explanation of a Euclidean continuum.

"... a surface may be designated a continuum that exhibits the property of enabling continuity of movement from any position thereon to any other position through undertaking a repetitive process of numerous uninterrupted migrations from one point to any other point that is in immediate juxtaposition to it."

I rest my cases. In the next issue of FOLIO, I will address the concerns of the mystified, and no doubt muffed, reader.

FOLIO

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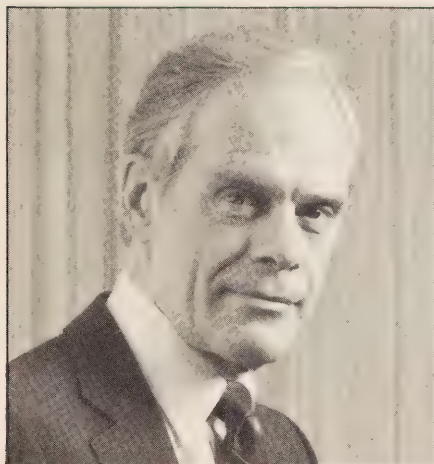
F O L I O

Summer 1987

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THE OPA AND THE LEGISLATURE



Douglas Archer
Provincial Auditor

The Office of the Provincial Auditor exists for the purpose of helping the Legislature to hold the Government accountable for the administration of the province's resources. The primary vehicle for this assistance is our Annual Report to the Legislature tabled in November or December of each year.

It is not practical for 125 members of the Legislative Assembly to attempt to deal meaningfully with our Annual Report. Consequently, the Legislature delegates this responsibility to what could be termed the Audit Committee of the Legislature, The Standing Committee on Public Accounts (PAC). This Committee currently consists of 11 members, with party representation proportional to the membership in the Assembly.

Our Office has a very close working relationship with the PAC, a relationship which is mandated in the Audit Act. Only one other province has audit

legislation as extensive as Ontario's in this regard. Senior members of the Office attend all PAC meetings and assist the Committee in preparing its agenda, in particular, the selection and scheduling of matters from our Annual Report. Advice and assistance is also provided as required throughout the Committee's deliberations.

Another aspect of our relationship is the requirement to undertake special assignments requested by resolution of the Committee. An increasingly active Committee and many years of minority government have combined to generate a steady stream of special assignments.

A principal reason for establishing the Special Assignments branch in 1985 was to enable the Office to better accommodate requests received from the PAC. From inception, the branch has had a full schedule of such requests. Two recent assignments provide the central theme for this issue of FOLIO.

Successful Certified Management Accountants

Provincial Auditor Doug Archer and Assistant Provincial Auditor Jim Otterman congratulate the successful Certified Management Accountants (from left to right) Jim Otterman, Joseph Demma, Doug Archer, Vincent Mazzone.



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COMMUNICATIONS UPDATE

by Ilze Petersons Taylor

In my last column, I presented what I hope was an amusing look at bad writing. In this issue, I'll briefly review some pre-requisites of good, or at least better, writing.

Many people are afraid to write. They shouldn't be. To write well, unless you want to be a Margaret Atwood or a Robertson Davies, you only need to get your ideas across simply and clearly.

It's not easy. You must be willing to work at it, but then again, that's true of anything that is done well.

No one formula will guarantee a good writing style. However, there are a few fundamental guidelines that are useful to remember.

First, you've got to be mentally organized before you start writing. You must know what it is you really want to say. This is a writer's most common problem.

Here is a method of organizing your thoughts:

1. Write all the points you need to make on 3 x 5 inch cards (one point to a card).
2. Divide the cards that relate to each other in separate piles.
3. Arrange your piles of points in sequence. Which piles are most important? Which must you present first in order to make the others understandable?
4. Do the same thing within each pile.

What you now have is a practical and flexible outline, to which you can add,

delete or change points at will.

Remember that your prime purpose is to explain something, not to prove you're smarter than your readers. Therefore, try to gear your writing to the reader's level of understanding. Don't use words or expressions known only to people with specific knowledge (say, auditors).

Try to use simple rather than complicated or pompous expressions. A speechwriter for President Franklin D. Roosevelt wrote: "We are endeavoring to construct a more inclusive society." The President changed it to: "We're going to make a country in which no one is left out."

Of course, this doesn't mean you should never use less well-known words. It all depends on who your audience is, as well as on your purpose.

Stick to your outline. Always ask yourself: "Does this relate to what I want to say? Am I getting off track?" Excess information tends to belabour a point rather than to elucidate it.

Consider this example: "Have you ever wondered how banks rate you as a credit risk? As you know, it's a combination of facts about your income, your job, and so on. Actually banks have a scoring system . . ."

As an editor, I would remove the middle sentence, as well as the word 'actually'.

In the realm of good writing, conciseness and brevity are considered virtues. So when you're finished, stop.

FOLIO TO GET NEW EDITOR



Halyna Koba

Halyna comes to the Office as Communications Research Assistant on a one-year contract beginning June 1, replacing Nancy Gale who is departing on maternity leave. She holds a bachelor of arts (honours) degree majoring in journalism from the University of Western Ontario. A freelance writer/editor primarily for business and trade press, Halyna has written articles ranging from a financial empire to funeral homes to paper place mats. Past experiences have been art, travel, reading and other pursuits including those of a trivial nature.



Provincial Auditor Doug Archer Welcomes International Visitor To Office

Provincial Auditor Doug Archer greets Curt Strachan, Clerk of the House in the Parliament of Grenada, during a recent visit to the Office to learn about our relationship with the Standing Committee on Public Accounts.

Audit Criteria — Data Base

The Economic Policy branch has created a data base of audit criteria that may be useful in planning and conducting value-for-money (VFM) and transfer payment audits of ministries. Criteria selected has been tested on various VFM or transfer payment audits of programs/activities in eleven ministries over the last few years.

We have organized the criteria according to the nature of the audit (for example, VFM or transfer payment) and type of audit issue involved — compliance, economy, efficiency and effectiveness.

This information has been placed in a binder and organized in three different ways: by ministry, by nature of the audit and by type of audit issue.

For further information, please contact Ezio Osti, Syd Latchana or Larry Yarmolinsky.

COMPARATIVE GOVERNMENT ACCOUNTING STUDY BRINGS GERMAN VISITORS TO OPA



(from left to right) Ken Leishman, Klaas DeGroot, Robert Siddall, Jim Otterman, Dr. Lüder's assistant and Klaus Lüder.

Concerned over the limitations in their existing governmental financial accounting systems, two German representatives visited the Office on a fact-finding mission to examine the state of the art of financial accounting.

As a comprehensive survey of governmental financial accounting practices in industrialized countries doesn't exist, Dr. Klaus Lüder, professor of Business Administration, Graduate School of Administrative Sciences (Speyer, West Germany) and head of the study, travelled to the United States, the United Kingdom, France, Denmark, Sweden and Canada to assess effectiveness, cost and applicability of their respective accounting systems with an eye to developing a concept for government financial accounting appropriate to the conditions of the German political and administrative system.

While in Canada, Dr. Lüder and his colleagues conducted a series of formal interviews with, among others, the Auditor General of Canada and government representatives from Quebec, Ontario, Alberta and British Columbia.

Ontario was represented by Klaas DeGroot and Andrew Nethery from the

Ministry of Treasury and Economics and Jim Otterman, assistant provincial auditor, Ken Leishman, executive director, and Robert Siddall, manager in the Reporting and Standards branch from this Office. Topics discussed included the effectiveness of the accounting system currently practised; our position with respect to the Public Sector Accounting (PSAAC) policies being developed by the public accounting branch of the Canadian Institute of Chartered Accountants; and current issues related to the audit of public accounts.

Presently, the government accounting system in Germany is significantly different from that practised in Ontario in that it is cash-based and compliance-oriented. "Cash-based" accounting records cash inputs (revenues) and cash outputs (expenditures that have cleared the bank) only. Germany takes this one step further in that if the cash balance is not at zero, it borrows money so that cash inputs always match cash outputs. Conversely, if cash inputs exceed cash outputs, the excess is spent so as to show a zero balance. "Compliance-based" refers to statements based on the Appropriation and Expenditures. This is the only statement on which the auditor

reports. Needless to say, this is why Germany is looking for a system that provides greater accountability of government activities.

Realizing that prior to recommending an accounting system information needs must be determined to ensure relevance, Dr. Lüder noted in his study outline, "But a majority of users don't miss anything. Actually, they often don't seem to know what their information needs are or should be." — a problem acknowledged in Canada and elsewhere.

In Dr. Lüder's estimation, neither traditional cash-basis accounting nor pure business accounting (full accrual basis and capitalization of all assets) are suitable concepts for advanced governmental financial accounting in Germany. Instead, a modified cash-basis financial accounting system, currently in practice in Ontario, was recommended as a more appropriate system.

It will be interesting to see what input our Office has provided Dr. Lüder and his colleagues when the completed study is submitted to the German Government. The Office has requested a copy of the report and coverage will be provided in subsequent issues of FOLIO.

THE OPA "ODDITORS" KICK OFF SEASON WITH WIN

by Nick Mishchenko

To nobody's surprise, the OPA Softball Team is off to another roaring start. Led by veterans Monica Duhatschek, Gary Peall, Walter Bordne and Peter Tipold plus an aggressive group of newcomers, the team defeated the Ontario Lottery Corporation by a score of 19-6.

The victory celebration was held at Chi Chi's. All who attended survived.

As usual, the team is short of female players and would gladly welcome anyone interested in playing. Spectators are also welcome.



OPA 'Odditors' baseball team after their first win of the season.

ICAO Members in the Public Sector



Executive Director Jim McCarter.

Interview With OPA Executive Director James R. McCarter in his capacity as MIPS Chairman

MIPS held their fifth annual luncheon on March 31, 1987, and FOLIO spoke with Jim about the Committee's past activities and plans for the future.

F: Jim, just what exactly is a MIPS?

JRM: A MIPS is a chartered accountant employed in the public sector. Of the approximately 20,000 CA's in Ontario, 1,650 are MIPS as they are employed by the three levels of government, hospitals, universities, school boards and similar public organizations.

A number of years ago, the Institute of Chartered Accountants of Ontario (ICAO), in recognizing the diverse needs of CA's not employed in public accounting, established a Members in the Public Sector Committee and a Members in Industry Committee (MII). Accordingly, the primary goal of the MIPS Committee is to assist the elected Council of the ICAO in meeting the needs of CA's in the public sector.

F: What is the present make-up of MIPS?

JRM: The Committee consists of a cross section of 12 CA's from the public sector who serve for a three-year term with typically four members being replaced each year. The chairman is appointed by Council and also serves for a three-year term. A member of Council is appointed as the Committee's Council representative and attends all meetings. This enables the Committee and Council to stay abreast of the other's activities. An individual from the Institute staff serves as the Committee's secretary.

F: Can you give us some specific examples of where the MIPS Committee's input has affected Institute programs or policies?

JRM: Some of the areas where the MIPS Committee has had a real impact include:

- our submission to the long range

strategic planning committee wherein our concerns regarding the necessity of increasing the technology skills of the profession and the possibility of training students in industry or government were ultimately incorporated into the Institute's long range plans;

- the development of two of the technical sessions at the Institute's annual conference. Our sessions this year dealt with microcomputer security and comprehensive auditing;
- an annual Toronto MIPS luncheon which this year features guest speaker, Lyman McInnes, president of the Canadian Institute of Chartered Accountants. This luncheon is typically sold out, attracting some 150 MIPS from the Toronto area;
- conducting a salary survey in conjunction with the MII Committee. The results of this survey are published in **Checkmark** (the ICAO newsletter);
- discussions with the Institute's Professional Development Committee (PD) regarding the offering of courses of a more general management or career development nature.

F: Your mention of professional development courses of a general management nature is interesting. Does the MIPS Committee believe there is an unfilled need in this area?

JRM: To some extent we do. For the last couple of years, the Committee has been addressing the issue of why there are not more CA's at senior levels of government. While CA's have the technical skills, we question whether they have received sufficient management or career development training. For instance, are their communications, leadership, personnel management skills adequate

to enable them to compete effectively with other professionals for senior positions?

On May 12, I addressed the Institute's PD Committee to discuss this issue. This is a typical example of what I believe the role of the MIPS Committee should be — to bring concerns or needs to CA's in the public sector to the attention of the Institute.

F: As chairman, what do you envision will be the major goals or issues of the Committee over the next year or two?

JRM: Pending approval of Institute Council, I anticipate our most important initiative next year will be the development of a MIPS survey questionnaire which will ultimately be mailed to all 1,650 MIPS. The objective of this survey will be to get some feedback from MIPS on which programs and services offered by the Institute are being used; are there any areas where the members believe improvements could be made or new services offered? Next year, in addition to our Toronto MIPS luncheon, we also plan to hold a luncheon in Ottawa. Since 30 percent of MIPS are from the Ottawa region, we believe such a luncheon would be well attended.

Since my term as chairman expires in June 1988, I would prefer not to speculate beyond then. However, I would anticipate the results of the survey will serve to focus the Committee's efforts over the next few years.

In any event, I have certainly enjoyed being a member and subsequently chairman of the MIPS Committee.

STAFF'S FAMILY AND FRIENDS VISIT OFFICE DURING OPEN HOUSE

Provincial Auditor Doug Archer hosted an Open House for staff, their families and friends on May 27 after work.

Over 200 guests toured the Office's new facilities and indulged in scrumptious hors d'oeuvres, refreshments and good conversation. An EDP Entertainment Room, complete with Frogger video games and a Care Bear's video transformed the Board Room to accommodate our 25 "younger" guests.

The evening, scheduled to end at 7:30 p.m. continued for another hour, many staff meeting their colleagues' families for the first time.

The event, organized by the Open-House sub-committee of Greg Banko, Gordon Calderwood, Sharon Laughlin and Sonia Zimmerman was considered a great success.

A second Open House, a Tour/Luncheon held on June 10, was organized for members of the Standing Committee on Public Accounts, members of the Board of Internal Economy and retired staff and their spouses. This event proved equally successful. Look for coverage in the fall issue of FOLIO!



THE SPECIAL ASSIGNMENTS BRANCH OF

Special assignments have become a significantly increasing component of the work of the Office in the past few years. Many of them have been undertaken in response to resolutions or requests from the Standing Committee on Public Accounts. In addition, to address the perceived needs of the Legislature, the Office felt that some focus should be put on government-wide issues. The Special Assignments branch was formed to primarily deal with these areas.

The branch just completed, at the request of the Standing Committee on Public Accounts (PAC), a review of matters relating to Ventura Technologies, a company that received investment capital from IDEA Corp. In addition, reviews of Ontario courthouses and Graham Software have recently been completed. Other special requests have involved the financial arrangements for the domed stadium, the sale of the Urban Transportation Development Corporation (UTDC) and an audit of the Industrial Accident Prevention Association (IAPA).

With respect to government-wide reviews, the branch is at work on reviews of internal audit and accounts payable. Audits of government payroll, movable assets and the use of aircraft are examples of audits completed previously.

Branch staff include Nick Mishchenko, Tony Tersigni, Walter Bordne, Bill Walkington, Paul Amodeo, Louis Kan, Linda Beaulieu, Mary Detlor, Albert Aufleger and Vince Mazzone.

The Graham Software review came on the heels of the Ontario courthouses inquiry; both were requested by the PAC. Copies of the reports are located in the Office library or are available on request for those outside the Office.

Report on the Review of The Courthouses

Last spring, Gerry McAuliffe of the Canadian Broadcasting Corp. raised a number of concerns about courthouses in Ontario on a CBC radio program. Following these broadcasts, the PAC passed a motion on June 12, 1986, requesting the Provincial Auditor to review the reports of Mr. McAuliffe and report back to the Committee.

The courthouses review was a special case as it was neither a financial audit nor a value-for-money audit per se. The approach was to examine each of the comments or criticisms contained in the radio report through visual inspection, examination of records and discussion with appropriate officials. In all, between 50-60 people were interviewed to arrive at an objective assessment and conclusions concerning the accuracy of each of the comments and criticisms. OPA interviews included meeting with personnel from the ministries of the Attorney General and the Ministry of Government Services, who are responsible for the provision, maintenance and operation of courts in Ontario. Audit staff also visited all of the courthouses mentioned by Mr. McAuliffe: Ottawa, St. Thomas (Elgin County Courthouse), Welland, St. Catharines, Hamilton, Tillsonburg, Ingersoll, Woodstock (Oxford Country Courthouse), L'Orignal, Brampton and Mississauga.

Where Mr. McAuliffe's comments were felt to be valid the OPA undertook to determine if corrective action had been taken, and, if not, why.

The theme of the radio reports was that provincial courthouse facilities were in a state of neglect. However, the auditor's report stated that:

"While we agree that there is a need to correct a number of deficiencies/problems, we feel that many of the issues



The recently completed Ottawa courthouse and Registry Office is the newest facility in the province.

raised by Mr. McAuliffe were not as serious as implied or involved relatively minor matters. In our opinion, these shortcomings are not sufficient to conclude that the courthouse facilities in the Province are in a state of neglect."

Provincial Auditor Doug Archer added, "This opinion is based not only on our analysis of the particular reports but also on our belief that the sample of 10 locations and some 25 courthouses from a total of 243 court facilities in Ontario was not representative enough to conclude on the general conditions of courthouses in the province."

During the PAC hearings, one committee member criticized the use of the term 'substantially correct', in the report. This member perceived this as downplaying the legitimate points that were made by Mr. McAuliffe.

In conclusion, the member suggested there "seems to be a great deal of rationalization in accepting the platitudes and rationalizations of the Attorney General's office and the Ministry of Government Services."

Mr. Archer defended the choice of language by stating that:

"We tried to go in with an open mind and report impartially. I am surprised you have taken exception to the term, substantially correct. That is a standard auditor's term that we use whenever something is to all intents and purposes correct yet might not be 100 per cent correct."

Some of the report's comments on the St. Catharines' courthouse are excerpted. Note that each of Mr. McAuliffe's statements are presented in italics, followed by the OPA's conclusion.

THE OFFICE OF THE PROVINCIAL AUDITOR

St. Catharines

The Public Inspection Panel found that there were 51 major design/construction deficiencies.

The nature of the deficiencies is somewhat exaggerated.

While there were 51 recommendations made in the Public Institutions Inspection Panel report of May 1984 many of these were not major design/construction deficiencies. The Ministry of Government Services has provided the Standing Committee on Public Accounts with its responses. The ministry has indicated that corrective action has been taken or is currently under active consideration for 47 of these items, and we were able to verify that such was the case.

Apparently the heating does not work in the winter and air conditioning does not work in the summer.

The situation has since been rectified.

The building manager informed us that both systems are now operating in accordance with the specifications. Modifications were made in July 1985 to the heating and cooling system by the Ministry of Government Services at a cost of \$178,400. To assist the heating system, an extra boiler has been installed to act as a back-up unit. The sheriff also indicated that the situation has improved since the 1984 Inspection Panel report identified this problem and he is satisfied with the changes.

The land titles office has a ladies' washroom but no men's.

This comment requires elaboration.

The original plans for this area apparently called for a staff washroom to be used by either male or female workers. This was to be in addition to other washroom facilities in the building. We were informed that the women had objected to sharing the washroom with male staff. Consequently, male employees use the public men's washroom which is a short walk down the hall from the land registry office.

After installing an elaborate security system to take prisoners from the underground garage to holding cells, they found that the police van could not fit through the garage doorway because the roof was too low.

This comment is evidently based on a misunderstanding.

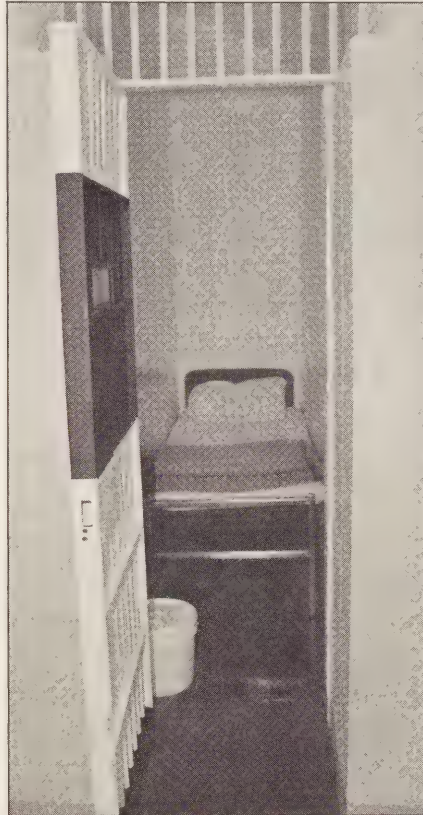
The secured prisoner entrance is accessed through a 15 foot door, not the doorway referred to by Mr. McAuliffe. We observed the police van in the area and there was plenty of room to maneuver.

While there are 100 parking spots for employees, only compact cars can get in.

This problem has since been rectified.

Apparently, the island between the

entrance and exit doors to the employee parking garage did cause some problems for large cars. This required them to maneuver several times to enter the garage. However, at the time of our visit, we noted that the island had been shortened and part of a wall adjoining the entrance to the garage had been moved back. Apparently, this has corrected the problem since we noted a number of full sized cars in the garage.



Example of the single jail cells in the L'Original courthouse and jail, the oldest facility in the province. Each cell measures 2 feet, 7 inches by 8 feet, 10 inches; the white bucket in forefront provides washroom facilities.

When the fire alarm goes off, prisoners in custody are set free from their cells and must leave the building down a staircase, unescorted, beside women office employees. They are then asked to turn themselves in voluntarily to the police department a block away.

This comment is somewhat overstated.

According to the police sergeant responsible for security in the holding cell area, the situation described could occur in some exceptional circumstances. However, generally when the fire alarm is sounded, an indication is given as to where the problem exists. There would usually be ample opportunity for

the guards in the holding cell area to handcuff the prisoners and lead them out to the police van. It should be noted that cell doors can only be opened by guards using a key. The procedures have been documented in a fire evacuation plan for the cell security area, and all police officers are aware of their duties in such circumstances.

"While we agree that there is a need to correct a number of deficiencies/problems, we feel that many of the issues raised by Mr. McAuliffe were not as serious as implied or involved relatively minor matters. In our opinion, these shortcomings are not sufficient to conclude that the courthouse facilities in the Province are in a state of neglect."

With the St. Catharines case, one Committee member complained that at no time was there an attempt to try to find out who was to blame.

Mr. Archer responded by explaining that, in order to find who is to blame, one would want to talk to the people responsible for the St. Catharines accommodation. Representatives from the two ministries involved were present during the PAC hearings, and it was suggested they be asked to comment further.

In his final comment Mr. Archer reiterated, "I think we and Mr. McAuliffe have observed and agreed, and I think the ministry officials will agree, that, yes, much needs to be done to upgrade the courthouse facilities through Ontario. The only point we were making is that we did not think the evidence presented to us was enough to conclude that the overall condition of the courthouses in the province was in a state of neglect. They may well be, but we do not think the evidence we saw was enough to make that conclusion."

Report on The Review of Graham Software

Graham Software Corporation and the provincial venture capital group, IDEA Corporation, came to public attention when it was learned that of the \$5.1 million invested in Graham Software by IDEA Corp., only \$300,000 would be recovered.

Robert Nixon, provincial Treasurer, had previously announced in the Legislature on February 19, 1986, that IDEA Corp. would be wound down by June 30, 1986, and its portfolio transferred to the Ontario Development Corporation (ODC).

After questions were raised in the Legislature about IDEA's investments in Graham Software, the Minister of Industry, Trade and Technology announced in the Legislature on October 14 that Graham Software "is currently winding up its affairs, and ODC does not expect much, if any, recovery from the investment." The next day, an M.P.P. in the Legislature quoted Mr. Graham as saying, "my company's predicament began when Ontario's Liberal Government closed the doors on the IDEA Corporation. We did not know how our investment was going to be treated, and we still do not know how it is going to be treated."

A motion passed by the PAC at its February 12, 1987, meeting instigated the review of Graham Software by this Office. Specifically, the Provincial Auditor was asked to "review on behalf of the Committee all financial and related documents in the possession of and at the offices of Terry Graham, Graham Software, and their counsel, as those documents related to the Committee's review of the IDEA/ODC investment in Graham Software . . . and to report to the Committee on this review." The audit report attempted to address, where possible, concerns raised in the Legislature and meetings of the Committee. Due to insufficient documentation, the audit report did not render conclusions on some of the issues identified; however, the report included one additional item — that of apparent conflict-of-interest by IDEA Corp. staff.

The audit report submitted March 18, was discussed at hearings which extended from March 23-25, with representatives from Graham Software, IDEA Corp. and ODC testifying at the hearings.

Excerpted from the audit report are portions from the Summary of Issues and Conclusions. Again, the questions raised are presented in italics.

When did IDEA/ODC become aware of Graham Software's serious financial situation? Is there any evidence that the Government, through IDEA or ODC was concerned and tried to do anything about it? Is there any evidence of negligent handling of the investment after it was transferred from IDEA to ODC?

We found no indication in the documents we were provided that IDEA had any concerns about Graham Software's financial situation. There was very little information as to what monitoring was being done by IDEA of this investment. It appears that ODC was concerned about Graham Software's financial prospects almost immediately upon being given the responsibility for IDEA's investment portfolio on June 30, 1986. Attempts were made at numerous times to take legal action and independent consultants were hired to perform reviews of the company's operations. ODC also paid \$41,643 to keep the rights for the 'Mazdamon' software from reverting back to the original owner for \$500,000. The software was subsequently sold for \$1.75 million U.S.

(A second investment of \$2 million was made in March 1986 to Graham Software to purchase exclusive rights to market and publish the Mazdamon computer software product.)

There was no evidence of negligent handling of the investment after transfer to ODC.

Certain employees of IDEA who were involved in the investment in Graham Software also performed work on a consulting basis for Graham Software while working for IDEA. One of these employees remained IDEA's representative on the Board of Graham Software for approximately three months after leaving IDEA, during which time he became a full-time employee of Graham Software.

Were reasonable efforts made to recover as much as possible of the \$5.1 million that the province invested in Graham Software?

In our opinion, ODC's efforts were primarily focussed towards recovering as much as possible of the investment made in Graham Software.

The following other issue was identified during our review:

Appearance of Conflict-Of-Interest.

Certain employees of IDEA who were involved in the investment in Graham Software also performed work on a consulting basis for Graham Software while working for IDEA. One of these employees remained IDEA's representative on the Board of Graham Software for approximately three months after leaving IDEA, during which time he became a full-time employee of Graham Software.

A report by the PAC on its deliberations on this matter is anticipated shortly.

THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

As appointed for the Third Session of the Thirty-Third Parliament

Chairman:

Robert Runciman, P.C., M.P.P.

Vice-Chairman:

Phil Gillies, P.C., M.P.P.

Bill Barlow, P.C., M.P.P.

Bob Callahan, L., M.P.P.

Don Cousens, P.C., M.P.P.

Herbert A. Epp, L., M.P.P.

Remo Mancini, L., M.P.P.

Ed Philip, N.D.P., M.P.P.

Alan Pope, P.C., M.P.P.

David W. Smith, L., M.P.P.

Bud Wildman, N.D.P., M.P.P.

STAFF PROMOTIONS



Walter Bordne

Manager, Special Assignments branch



Paul Amodeo

Supervisor, Special Assignments branch

NEW STAFF



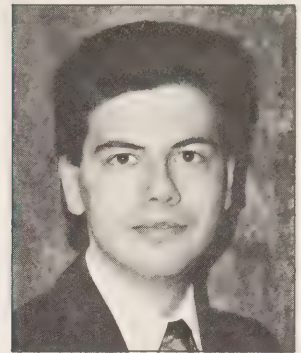
Paul Lordly

Paul returns for a third summer with the Office. He has a bachelor of commerce degree from St. Mary's University (Halifax, Nova Scotia) with an accounting major and two years' experience with Arthur Andersen & Co. He has just completed his third year in aerospace engineering at Ryerson Polytechnical Institute. Recently elected president of Psi Upsilon fraternity for the 1987/88 year, Paul's interests include science fiction novels, books and literature on aircraft, the latest in aeronautical and astronautical development, skiing and billiards. Paul joins the Social Policy branch.



Barbara Marshall

Barbara started with the Office on May 11 as Lead Operator/Word Processor. After working for MGS Computer Telecommunications Services for eight years, Barbara freelanced as a Xerox 6085 computer system operator. She has now accepted an eight-month contract with our Office. Barbara brings with her six years of Xerox hardware and software experience. Indeed, she worked with Adrian Blake to create our very first FOLIO back in 1985. Barbara has a passion for Las Vegas, her favourite holiday spot, second only to Sauble beach. She joins the ranks of OPA collectors, although it is not in miniatures or antiques.



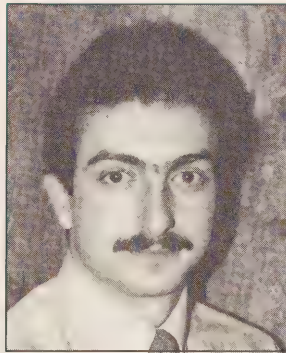
Patrick Cupido

Patrick returns to the Office this summer for a fourth term before returning to Wilfrid Laurier for a final year in the business administration program. He has been assigned to the General Government branch and is pursuing his CA designation. After so many terms with the Office, he has become something of an expert on GO Transit's Hamilton-Toronto run, along with every bump on the QEW-Gardiner. Summer is his favourite season because he loves to swim, tan and play tennis, as well as sit in the shade reading French literature or European history. This time, he got the feeling he had really 'arrived' when he walked into the Office and saw his own shining new nameplate at his desk!



Janet Quinlan

Janet was born and raised in Windsor, Ontario, (better known to most as a suburb of Detroit) where she graduated from the University of Windsor with a bachelor of commerce degree. She moved to Toronto and has mastered the art of subway travelling at rush hour. Janet comes to the Office after two and one half years of training at Dunwoody & Co. She is in hot pursuit of her CA designation and hopes to eventually discover the meaning of the words 'spare time' again.



George Puccia

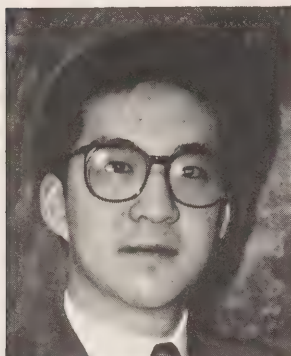
George, who started with the Office in March, holds a bachelor of commerce degree from the University of Toronto and obtained his CA designation in 1986. George comes from Collins Barrow where he spent four and one half years in audit and one year in computer consulting. George's hobbies include active participation in minor hockey officiating and running a small horse farm in Kettleby. He also enjoys playing hockey, hunting, fishing and music.



Philip Woo

Philip replaces Greg Banko as Programmer/Analyst. Graduating with a bachelor of science degree in computer science and systems this past spring, Philip designed and implemented the Toronto Housing Registry Database System for the Ontario March of Dimes in the summer of 1986. As well, he was involved in downloading data, booting up the system and controlling the overall system operations at Petro-Canada Products Inc. Philip enjoys music, soccer, baseball, tennis and getting out-of-doors as much as possible.

NEW STAFF



Louis Kan

Louis joined the Office in March as an auditor. He spent over two years at Arthur Andersen & Co. and qualified as a CA in 1985. Spending his undergraduate years at the University of Toronto, he just completed the MBA program at York University. Hobbies include tennis, golf and reading the works of William F. Buckley Jr. and Evelyn Waugh.



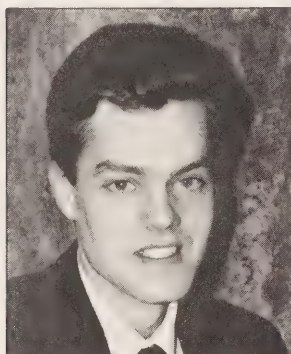
Cynthia Veinot

Cynthia has just completed her first year in co-op chartered accounting at the University of Waterloo. Residing in Toronto, she is happy to have a four-month break from residence life. Cynthia plays the piano and the trumpet, and she has been a member of many orchestras including The University of Waterloo Concert Band.



Scott Gasson

Scott is also a Wilfrid Laurier University co-op student beginning his first work-term with the Office. He is commuting from Burlington by train to avoid rush-hour traffic. During his spare time he participates in a wide range of sporting activities and enjoys time with friends.



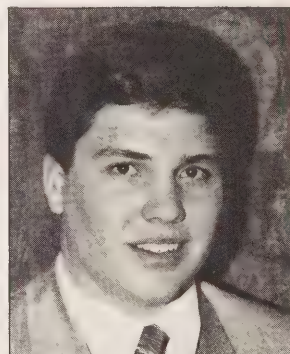
Jeffrey Loncke

Jeff graduated from Wilfrid Laurier University in April with a bachelor of arts degree in economics and a diploma in business administration. Currently a CA student, Jeff's interests include sports, music and trivia.



Janet Denys

Janet is a student at the University of Waterloo in arts co-op accountancy studies. Originally from Chatham, Ontario, she is residing in Toronto for this, her first four-month work-term. Janet enjoys sightseeing and hopes to visit many of the attractions in Toronto during her spare time this summer.



Patrick Brooker

Patrick is a second-year Wilfrid Laurier University co-op student. He is studying to become a CA. He keeps busy in the summer by playing on two baseball teams and enjoys golf and basketball. Patrick joins the Economic Policy branch.



Fraser Rogers

Fraser graduated from Wilfrid Laurier University with a bachelor of business administration and is presently a CMA student. He enjoys music, hockey, fishing and waterskiing.

STAFF PROMOTION



Jan Ledson
EDP Audit Advisor

FOLIO

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Editorial Advisory Board:

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Denise Young

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PROVINCIAL AUDITOR SIGNS INTOSAI STATEMENTS IN FRENCH, ENGLISH, SPANISH, GERMAN AND ARABIC.

Provincial Auditor Doug Archer was appointed auditor for the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI) and submitted his audited statement for the year ended December 31, 1986, in English, French, Spanish, German and Arabic.

Kenneth Dye, Auditor General of Canada, announced at the IDI board meeting on January 16, 1987, that Doug Archer "has accepted to carry out the annual financial audit for IDI on a no-fee basis." The Office supports the activities of INTOSAI and is proud to be affiliated with this project.

Financed by appropriations from international development organizations and national assistance agencies, IDI's initial financing was received from the United Nations Development Programme (UNDP), the Canadian International Development Agency (CIDA) and the Norwegian Government. Monies received in support of INTOSAI at December 31, 1986, totalled \$1.3 million.

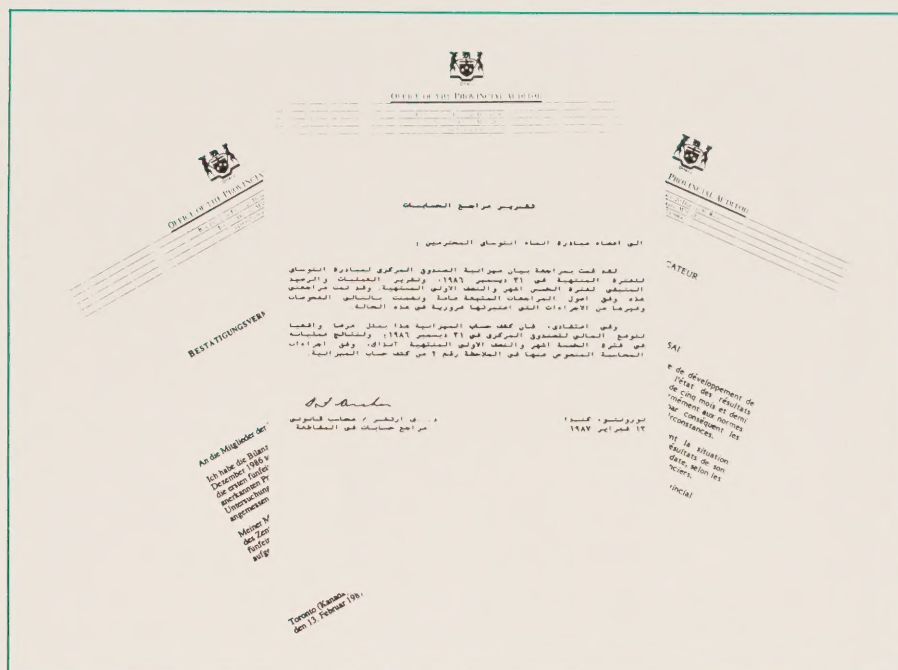
The World Bank and the three development banks (Inter-American, African and Asian) have indicated their interest in contributing to specific projects; and the Commonwealth Secretariat has offered to assist in the organization and presentation of IDI seminars. Moreover, a number of offices from developed countries have offered to contribute the services of personnel and/or materials to the project. Doug Archer's involvement as auditor of the Central Fund is such a contribution.

INTOSAI and IDI: Origins and Structure

National government audit offices around the world joined together in 1953 to form INTOSAI (so named for translation purposes). Membership is comprised of heads of 140 national audit offices (100 of which are considered developing nations).

Kenneth Dye, along with other members, proposed the creation of IDI at the March 1985 meeting of INTOSAI's governing board. In April 1986, the board unanimously accepted the IDI proposal and subsequently approved and adopted it in principal. IDI was thus incorporated as a Canadian international non-profit organization on July 16, 1986.

The need for this initiative was well documented in a 1984 report by the U.S. Congress. The General Accounting Office (GAO) report to the United States Agency for International Development (USAID) titled "Financial Management



Problems in Developing Countries Reduce the Impact of Assistance" identified some of the problems related to shortages of training staff and the lack of adequate accounting and auditing standards and practices. The paper quoted a 1981 World Bank study which concluded that "a sustained effort is required across the board to improve budgeting, accounting and auditing standards." Also, the GAO report included CIDA's conclusion that "overall, the shortage of managerial skills at all levels constitutes a major obstacle to effective development programs in the countries surveyed." Developing countries also supported these conclusions and identified special areas requiring assistance, mainly in the audits of economy, efficiency and effectiveness.

As an INTOSAI program, IDI is dedicated principally to the 140 member countries and to fostering the advancement of public accounting and auditing practices in developing nations through information exchange and training and to canvass for, receive and manage funds. Specifically, IDI serves as a central "brokerage house" for the collection and dissemination of information and training materials while offering training and other technical assistance to audit offices in developing nations. It is not intended as a centrally-located institution; training programs will be presented on site, regionally or sub-regionally with the help of local resources whenever possible. With the focus on "training the trainers" by providing them with the necessary tools,

IDI projects will contain instructor training, follow-up and local adaptation of the technical contents of each program and involving women and men both as givers and as receivers of assistance.

IDI's main activities include:

- collecting and disseminating information on public accounting and auditing standards, codes of practice, methods and techniques;
- developing and maintaining an international directory of audit training information;
- compiling training and development needs analyses;
- compiling and disseminating methodologies to determine training and development needs to evaluate programs;
- developing and/or organizing training programs for trainers, managers and auditors of its membership;
- compiling documents and promoting research activities in the field of public accounting and auditing and preparing related bibliographies.

The IDI program builds on both the Canadian Comprehensive Auditing Foundation (CCAF) and the Auditor General of Canada China project; whenever possible, CCAF graduate fellows will be involved in IDI projects, either as trainers or graduate resource persons to help transfer knowledge and methodologies among developing nations. The course material being developed for the China project has been designed to be easily modified for IDI use.

Management Board Directives and Guidelines

by John Morton

The Ontario Manual of Administration (OMA), Volume 1, was replaced by two publications, effective November 1986; Management Board of Cabinet Directives and Management Board of Cabinet Guidelines.

The contents of the old OMA, Volume 1, can be filed away. However, a sleeve has been provided for the binder, allowing it to be used for filing future releases. The OMA, Volume 2, and the Treasury Manual are unaffected.

Since November, many Office staff have had sleepless nights pondering the impact of this significant event. The purpose of this article is to help put the minds of those people at ease and to give other staff a brief overview of the change and its implications. This will hopefully allow them to answer relevant questions on the Directives and Guidelines, when quizzed by management, auditees, family members and people on the street.

This article is a quick summary only and, as such, should not be used as a substitute for a complete reading of both the Directives and Guidelines. Since these publications impact on most ministry and agency audits conducted by the Office, all staff should be aware of their contents.

Directives

DIRECTIVES ARE CLASSIFIED INTO EIGHT CATEGORIES

- (1) program management

- (2) purchasing and supply management
- (3) real property
- (4) employee expenses
- (5) creative services
- (6) appointees, agencies and Royal Commissions
- (7) information technology
- (8) freedom of information

The Directives "stipulate the principles and mandatory requirements that managers must observe when conducting Government business." All Directives have the same format:

Purpose

Application and Scope

Principles

Mandatory Requirements

Responsibilities

Since each Directive is formally approved by Management Board, the application is subject to audit by Management Board.

The Directives "apply to all ministries, in the majority of cases to Schedule I agencies, unless exempt by a Memorandum of Understanding, and in specific cases to Schedule II and III agencies." The scope of each individual directive is indicated within the Application and Scope section of that directive.

Each guideline corresponds to a directive. They are intended to provide assistance in understanding, interpreting, and fulfilling the requirements of that directive. They are not formally

approved by the Management Board, and, therefore, not subject to audit.

Auditing Implications

MINISTRY AUDITS

- Adherence to Directives, considered in developing audit or ministry programs:
 - (1) reliance on internal audit;
 - (2) management reviews;
 - (3) Management Board of Cabinet reviews.
- Has the ministry developed its own policies and procedures where authority is delegated by directives?
- Are internal ministry policies consistent with Directives and Guidelines?
- Significant areas for attention:
 - (1) use of consultants if tender is greater than \$25,000;
 - (2) use of central common services;
 - (3) government appointees remuneration — Not to be competitive with marketplace;
 - (4) EDP equipment approvals;
 - (5) managing by results.

AGENCY AUDITS

- Determine to which schedule the agency belongs.
- Determine which directives are mandatory.
- Determine if a Memorandum of Understanding exists which contains overriding provisions.
- Assess adherence to Directives.

IT'S A HIT!

The Office held what is hoped to be the OPA Annual Curling Night at The Terrace rinks on April 9.

Four teams comprised of players with a crater-sized range of experience and ability played between two rinks.

Team members played until closing with no one quite sure of the final scores. Members included: John Ross, Denise Young, Dan Hartley, Joan Kolynchuk, Jim McCarter, Linda Beaulieu, Carolyn Halverson, Danny Chang, Andrew Cheung, Sheldon Rybowski, Chris Adamo, Mark Ryan, Dennis Endrizzi, John Sciarra, John Morton, Gary Maldaver and David Luk.

Kelly Martin and Janet Quinlan joined the players for post-game ceremonies at "Downtown" (the bar, not the area).

The evening, organized on very short notice by Denise Young and John Ross, was successful in earning a few converts to the game. Next year, we hope to have even more players; Remember, no experience necessary!



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